

# FINANCIALTIMES



MONDAY FEBRUAR

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Public holidays

SATURDAY

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**Public holidays** 

SUNDAY

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The purpose

Landesbanks Privileged status under attack

**EU flexibility** Making the Union more efficient



Pulp and paper New hedge against boom and bust cycle

Commodities, Page 32



Trade pact sets the pace for integration

Today's survey, Pages 12-14

Toyota

at parts

supplier

By Michiyo Nakamoto

Toyota was yesterday forced

to close most of its domestic

production lines after a fire at

a sub-contractor's factory pre-

vented the delivery of parts

meant to arrive minutes

The fire at Aisin Seiki,

which makes master cylinders

and proportion valves for

brakes for Japan's largest car-

maker, exposed the risks of

the just-in-time component

delivery system and Japanese

companies' traditional reli-

ance on a small number of

Toyota said it would balt

Japanese mannfacturers

have led the world in introducing the just-in-time system which enables companies to

slash investment in stocks.

stake in Aisin Seiki.

next week.

from April.

300,000 wife.

this year.

Toyota has a 22.6 per cent

Toyota said it expected to

obtain emergency supplies

from other parts suppliers and resume normal production by

The halt to production

comes at a difficult time for

the company which was aim-

ing to meet expected strong

domestic demand before an

increase in consumption tax,

The industry expects the

increased demand to boost

sales by 100,000 units, while

the impact of the consumption

tax rise will reduce sales hy

Toyota is keen to take

advantage of the higher

demand in the first three

target of regaining a 40 per

cent domestic market sbare

The long-term impact of the

fire on Toyota is, however, not

try analyst at HSBC James

Capel, expects Toyota to

recover lost production within

The earthquake at Kobe in

Continued on Page 18

1995 had a more damaging

expected to be significant. Mr Matthew Ruddick, indus-

production at 20 of its 30

suppliers.

ssembly lines.

before they are needed.

#### Row in Sweden over shutdown of nuclear plants

Page 17

World Business Newspaper http://www.FT.com

Sweden's minority Social Democratic government ran into a hail of criticism from industry, trade unions and political parties after finally agreeing to start decommissioning the country's nuclear power industry, which supplies half of its electricity needs. Page 2

Fax dumping alleged: The European Commission is investigating a complaint from Philips of the Netherlands that exporters in Japan and seven other south-east Asian countries are dumping personal fax machines in the European Union market. Page 4

Siemens is to sell its television cable network which delivers TV programmes to some 350,000 households across Germany. It is talking to several potential buyers, among them Vebacom. telecoms subsidiary of the Veba utility com-

Générale des Eaux, the French utilities and construction group, is poised to become the largest single shareholder in Havas, the communications group, under a proposal to increase its stake from 2.5 per cent to up to 30 per cent.

Raid at Belgian ministry: Police raided Belgium's finance ministry, including offices of aides to finance minister Philippe Maystadt, as part of an inquiry into alleged tax fraud by banks. Judicial police were also interviewing staff of Kredietbank, Page 2

Czech rail strike: Railway workers in the Czecb Republic called for the firing of managers and said they would begin a 48-hour strike at midnight last night and extend it a day at a time until demands are met. The unions fear economic reforms could lead to lay-offs of about 30,000 workers.

Basques strike tax blow: The Basque region of Spain has imposed lower corporate taxes than elsewhere in Spain, opening a new dimension in the controversy over European Union states attracting companies through tax competition. Page 3

Actna, the US life and health insurer, agreed to invest \$300m in a joint venture with Sul America Seguros, Brazil's largest insurance company, in an attempt to expand low-cost healthcare in Brazil. A further \$90m may follow depending on performance. Page 19

US earnings jump: Incomes of Americans rose 0.8 per cent in December, the best showing since June, but spending increased just 0.5 per cent during the important holiday shopping season. The income gain lifted earnings for the lump in 1995. Page 7

Business jets planned: Israel Aircraft Industries and Chicago's wealthy Pritzker family say they will form a company called Galaxy Aerospace to build intercontinental husiness jets at lower prices than comparable aircraft.

Industrial Development Bank of India, the country's largest development finance institution, has outlined a wide-ranging restructuring designed to position it as an integrated wholesale bank. Page 19

Hanbo jobs guaranteed: The South Korea government guaranteed completion of overseas projects started by the collapsed Hanbo construction group, seeking to control the scandal. Officials said they were calling in several bank heads for questioning.

Former French minister heads for cell



Bernard Tapie, the bankrupt tycoon sentenced to two years in prison for his role in a bribery scandal involving the Olympiqne Marseille football team he once owned, was due to go into prison last night so his appeal can proceed. Last October, France's conservative government declared

Tapie unfit to serva in the European Parlia-Zambian plague toll rises: The death toll

in an outbreak of bubonic and pneumonic plague in Zambia rose to 30, with eight more deaths reported in the past three days.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

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Enlargement would be accepted if treaty were signed on Moscow relations

**TUESDAY FEBRUARY 4 1997** 

# Russia softens Nato stance production hit by fire



Anatoly Chnbais: offer of

By Guy de Jonquières In Davos

Russia said yesterday it would accept a Nato that included former Warsaw Pact countries if a new treaty covering relations with Moscow was signed before its July summit.

However, if Nato enlarged before signing a treaty, that would force Moscow to resp-praise its policy of co-operation with the west, threaten to trigger a fresh arms race, and destabilise Russia by unleashing a resurgence of communism and nationalism. The compromise offer was

announced by Mr Anatoly Chubais, President Boris Yeltsin's chief of staff, at the World Economic Forum io

Davos. "All of us have to use sider. That would make Chancellor Helmut Kohl of this chance, which otherwise enlargement less controversial Germany and President Jac-will be the last chance for all in Russia. But if Nato pressed ahead responded positively to the of us," he said.

He said in an interview that if a satisfactory treaty could be

MORE REPORTS PAGE 8 signed before the July summit in Madrid, it would "open doors for future Nato enlarge-

THE FT IN DAVOS ......

"Russia has never said it was against any kind of enlargemeot." He said a treaty would make enlargement acceptable to Moscow because it would change the nature of Nato and

show that the west was no lon-

ger treating Russia as an out-

meot". Mr Chubais added:

immediately, it "would be the greatest mistake in n'estern policy for 50 years". He said such a decision

would hand political ammunition to communist and nationalist forces in Russia and create a "new dividing line" in Europe. It would also force President Yeltsin's administration to re-think its entire foreign policy, resume an arms build-up and withdraw cooperation from organisations such as the International Monetary Fund and the World Trade Organisation.

Mr Chuhais said several western leaders, including

proposal for a treaty in recent talks with Mr Yeltsin. Mr Strobe Talbott, US deputy secretary of state, had said Washington was also prepared to

consider the idea seriously. But Mr Chubais said negotiations had still to be held to decide the form and contents of the proposed arrangement, which needed to provide for consultation nith Russia on Nato enlargement.

Russia also insisted, as a minimum, on a legally binding agreement which ruled out any renewed arms build-up in

Continued on Page 18

# Alcatel talks herald joint bid for Thomson

By David Buchan in Paris

Alcatel Alsthom, the French telecommunications and engineering group, is in talks with Aerospatiale and Dassault to mount a joint bid for Thomson-CSF, which is to be privatised later this year.

The alliance raises the prospect of a battle royal with Lagardère, the French desence equipment group which appeared to have won control of Thomson last autumn until France's privatisation commission ruled otherwise.

bid again for Thomson-CSF. once the government announced how it wanted to sell the state electronics company. The government, which is considering whether to attempt another trade sale or to offer Thomson-CSF on the stock market, had promised a decision last month. Mr Alain Juppe, the French prime min-ister, said yesterday the announcement would come between new and the end of

The possibility of Alcatel acquiring Thomson-CSF in confunction with France's two aircraft companies - which are themselves planning to merge would turn the Thomson privatisation into the biggest event of the country's armaments restructuring.

It could create Europe's largest vertically integrated defence combine, making everything from basic electronic components to weapons systems and jet fighters.

Although a far larger group than Lagardère, Alcatel is smaller in the defence sector. The Juppe government said last autumn it preferred Lagardère as a buyer for Thomson-CSF on the grounds of "industrial logic". An alliance with Aerospa-

tiale and Dassault, which are awaiting approval to merge vida Alcatel with the defence industrial expertise It has been thought to lack. Alcatel indicated it would be "the leader" of any joint bid,

and would appear well placed to put up most or all of the cash required. Its return to profit last year, at FFr2.5bn (\$450m), sent its stock price soaring by 21 per cent last Thursday and Friday. It closed last night at FFr542, down 1.1 per cent on the day. In the event of a successful hid. Alcatel said it could pool

its FFr10bn-a-year radio, space and defence division with Thomson. According to some reports, Mr Serge Dassault might add in his Dassault Electronique subsidiary.

Havas talks, Page 19 package, Page 3



British prime minister Mr John Major with his French counterpart Mr Alain Juppé in London yesterday. Despite the smiles there were clashes on EU monetary and employment policies. Report, Page 18. Emu

# SBC may replace C&W in German telecoms alliance

Cegetel in France.

man utilities fell on the news

that C&W was about to scrap

its partnership. RWE closed at

DM68.35, down DM0.95, and

Veba at DM39.7, down DM0.9.

C&W fell 2p to 464p as analysts

speculated Vebs would sell its

10.4 per cent holding in the

In January 1995, Veba paid

cent stake in C&W and the UK

CONTENTS

FTSE Actuaries

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Foreign Exchanges .\_\_\_31

Managed Funds .... 33-35

By Nicholas Denton in London and Ralph Atkins in Bonn

SBC Communications, the US

regional telephone company, emerged yesterday as a possi-ble replacement for Cable and Wireless of the UK in a hig telecoms alliance in Germany. Executives close to C&W said privately yesterday that the company had in principle decided to part company with Veba and RWE, the two Cer-

man ntilities with which it had planned to attack the German elecoms market from 1998. Veba said last night it would persist with its joint venture with RWE whether or not

C&W decided to participate. The venture - provisionally dubbed 0-Tel-0 - aims to capture 10 per cent of the German market within five years of 1998, the year from which the European Union telecoms market is due to be fully opened to competition.

group agreed to take a 45 per Executives close to the Gercent stake in a telecoms joint man utilities said the venture might build a local network venture dubbed Vebacom.

World Trade News .....

and only later link up with an They agreed to work together international telecoms com-But in May 1996, Mr Richard pany, hut they said they had

engaged in discussions with "a Brown was appointed to head C&W and, after merging its lot of companies".
It is understood that the Ger-UK operating company with man companies have received three cable companies, began an approach from SBC Comto re-evaluate its strategy in Europe and Asia, where it conmunications, although none of trols Hong Kong Telecom. Mr the companies would comment. The US telecommunica-Brown has had talks with Mr tions company, although not an international carrier, has William Esrey, chief executive of Sprint, the US long-distance investments in alternative netcarrier. Sprint is a partner of France Telecom and Deutsche works outside the US, such as Telekom, the French and Ger-The shares of the two German incumbent operators, in

the Global One alliance. C&W said Sprint was just one of the many companies to which it talked, but investment bankers believe the UK company is considering a closer relationship with Global One. Deutsche Telekom explored the acquisition of C&W's UK operations last £840m (\$1.35bn) for a 10.5 per spring.

> Siemens, Page 19 C&W pull out injects realism, Page 20

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LONDON - LEEDS - PARIS - FRANKCERT - STOCKHOLM - MADERO - MEN YORK - LOS ANGELES - TOKYO - HONG KONG

UK ...

By Greg McIvor In Stockholm

Sweden's minority Social Democratic government yes-terday ran into a hail of critlcism from industry, trade unious and other political reached on Sunday night parties after finally agreeing to start decommissioning the country's nuclear power

Nuclear power supplies of the country's 12 reactors half Sweden's electricity would be closed before the needs and the decision, in line with a referendum in 1980, will have far-reaching consequences for Sweden's energy-intensive manufacturing industry and tha

Market concern over the

cess fuelled a 6 basis point rise in yields on long-term bonds, while the krona weakened against leading international currencies.

The government would not confirm details of a deal with two small opposition parties, the Centre and the Left party. However, Swedish media reported that one general election in 1998 and a second during the next mandate period.

Mr Anders Sundström, industry minister, insisted industry would be shielded shape of the domestic power from electricity price rises and called the accord "very responsible". Domestic con-



the brunt of price increases Opposition parties which did not take part in the agreement accused the government of neglecting sound economics in its determination to cement its informal alliance with the Centre.

Nuclear decommissioning The government had been has been a flagship policy for the green-inclined Cen-

state power utility. Instead, media reports suggest that two reactors at the Barseback plant, owned by Syd-kraft, the country's biggest independent energy supplier, are to be shut first.

Barsebāck is close to the city of Malmö and tha Danish capital, Copenhagen. Denmark has lobbied for Barsebäck to ba closed on safety grounds, and said yesterday the closure move "gave cause to rejoice".

Sydkraft said It would strennously resist any imposed closure. Mr Göran Ahlström, chief executive, said the company would launch a claim for full comexpected to start the phase- pensation in the form of out by shutting reactors replacement power generat-

owned by Vattenfall, the ing capacity. Sydkraft shares fell 8 per cent yesterday Economists suggested Barsebāck's closure would cost SKr10bn-SKr20bn (\$1.4bn-\$2.8bn) and said lt would fuel unemployment and undermine Sweden's credit-

> worthiness. Mr Per Olofsson, manag ing director of the Federation of Swedish Industries. said: "It is financial madness unnecessarily to pay billions of kronor to close fully functional, safe and environmentally sound power stations."

SCA, the country's biggest forestry group, called it "a black day" and warned a nuclear phase-out would paper sector.

# media snap at

premier's

prowess

By John Thornhill

Mr Victor Chernomyrdin,

zine even likened the shooting of the cubs to "common murder".

dent in a Russian television interview in Davos, Mr Chernomyrdin confessed his love of bear hunting and added that he could not understand what all the fuss was about.

He claimed he had a proper hunting licence and claimed that all the bears be shot were adults.

ists who wrote this to have those cubs," be said. "l would enjoy watching that. I would have liked to see their reaction.

formist journalists.

In a front-page article in the Novaya Gazeta newspaper, Mr Minkin lampooned Mr Chernomyrdin's hunting expedition, parodying the semi-official press for glorifying their leaders' physical prowess.

"Accordion players, cooks, sardonic style.

The newspaper even reproduced a famous painting hy Ivan Shishkin of bears frolicking in the woods, and drove bome its point by blotting ont the

cubs.

Quite why Mr Chernomyrdin's hunting trip should

cessful deals while popping off wildlife. It was at a hunting lodge ontside Moscow that Mr Chernomyrdin had a famous meeting of minds with Mr Michei Camdessus, the cerebral bead of the Interna-

Mr Chernomyrdin is trying to shrug off the controversy as he beads off tomorrow to the US for in-depth

It is a fair bet, though, that bear bunting will not form part of their pro-

# jeopardise tha competitiveness of Sweden's pulp and Russian

Russia's prime minister, may have welcomed the opportunity to escape his country's woes last weekend to glad-hand foreign leaders and investors at the World Economic Forum in Davos. Switzerland.

Instead, he was sideswiped by the Russian media in an unusual iomestic controversy about

While parts of Russia's press praised Mr Cbernomyrdin for demonstrating a steady hand and a keen eye on a now notorious hearbunting trip last month, other newspapers expressed horror that their prime minister could bave shot a mother bear and ber two

Ona Russian news maga

Questioned about the inci-

"I would like the journal-

The controversy was ignited a week ago by Mr Alexander Minkin, a rare free spirit in the ranks of Russia's increasingly con-

conductors of military orchestras – we are glad thet our leaders have such ahilitles, although this has no relationship to the management of the state," Mr Minkin wrote in typically

have aroused such controversy is not clear. Despite a love of pets, Russlans are not ranowned for their defence of animal rights. even though the bear is one of the nation's symbols. Moreover, Mr Chernomyrdin's love of bunting is nothing new. Indeed, the prime minister has concluded some of his most suc-

tional Monetary Fund. That encounter led to a big injection of financial sup-

dent Al Gore.

EUROPEAN NEWS DIGEST

# Stand-off in Serb capital

Serbian riot police confronted tens of thousands of anti-government demonstrators in the centre of Belgrade yesterday after a night of clashes in which scores of protesters were injured. Leaders of the opposition coalition Zajedno (Together) called on a vast crowd to join them in a protest march through the city but they were blocked by hundreds of armed riot police.

aboost fe

Mr Vuk Draskovic, head of the Serbian Renewal Movement, urged demonstrators to avoid confrontation. Democratic party officials said the situation after 11 weeks of non-stop protests was deteriorating and they feared President Slobodan Milosevic's government was looking for a pretext to impose emergency rule.

The mandate of the Socialist council which governs Belgrade expires today and opposition leaders feared Mr Milosevic would impose direct central government control over the city rather than reverse the annulment of opposition victories in municipal elections last November which led to the demonstrations. Guy Dinmore, Belgrade

#### Bomb wrecks minister's car

A bomh last night ripped apart the official car of Mr Andrei Vavilov, Russia's deputy finance minister, in what appeared to be the first criminal attack aimed directly at a senior government member. No injuries were reported in the explosion which took place close to the finance ministry.
Mr Vavilov, who leads a high-profile social life, has

developed close ties with various banking and business interests. His official brief touches on several controversial areas such as tax collection and government financing. Dozens of business leaders have died in contract killings in recent years. John Thornhill, Moscot

#### Blüm pension plan backed

Mr Norbert Blum, Germany's labour and social affairs minister, has won important backing from within the governing Christian Democratic Union for his plans to restructure the country's pay-as-you-go pension scheme.
A group of CDU pension specialists yesterday came out in favour of his proposal to reduce pensions to 64 per cent of average earnings by 2030 from around 70 per cent at present, and to set up a "family fund", financed by indirect taxes, to carry some of the burdens at present put on state pension insurers.

Marking an advanca for Mr Blum in the power struggle over tax and pension reform that is dividing Chancellor Helmut Kohl's coalition, the CDU pension experts rejected by 20-4, with four abstentions, proposals put forward by a government commission on tax reform, chaired by Mr Theo Waigel, the finance minister, for increased taxes on pensioners with incomes above average

Mr Blüm's plan will be discussed by the CDU leadership in Bonn tomorrow. Meanwhile, the Free Democrat party. junior member in the coalition, called yesterday for a new joint commission of the government parties to harmonise

#### Madrid traffic fines debacle

Madrid's city council yesterday reversed plans for privatising traffic fines and said it was cancelling a contract with the US computer services group EDS. Mr Pedro Bujidos, the city's finance chief, said the severance terms, including a claim for damages, had been referred to the council of state, the top consultative body.

The turnaround, a severe embarrassment to the city's conservative administration, follows allegations of irregularities at a local subcontractor hired by EDS to serve notices of fines. The subcontractor, Servico, is accused of claiming payment for jobs which it did not carry out. EDS, which began processing fines in the capital last September, broke off with Servico tha following month and informed the authorities. But its own deal was suspended in December pending an investigation.

The US company, already deep in controversy over government contracts in the UK, is believed to have invested several million dollars in computer and office

#### French car sales tumble

French car sales in January were a third lower than in the same month last year, reflecting the phasing out of government financial incentives to encourage the huying of new cars. There were 122,552 new cars registered during the month, against in 184,541 in January 1996, according to figures from the industry association. French cars represented 53.4 per cent of the market.

The decline was also partly blamed on an exceptionally strong performance in January last year, reflecting the recovery after strikes at the end of 1995. Eliminating this effect, the reduction for January was estimated at 25 per Andrew Jack, Paris

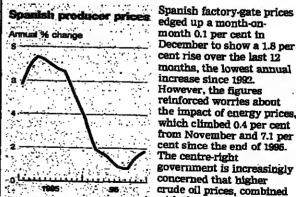
#### Malta ship yard taken over

Malta's new Labour government has taken over Malta Drydocks, the island's ailing commercial ship repair yard. egislation ending 22 years of self-management by the 3,000-strong workforce was rushed through parliament over the weekend with the full backing of the opposition Nationalist party. A nine-man council has taken overall control from a workers' elected council and will report directly to the government.

Mr Alfred Sant, the prime minister who came to power at last October's general election, has made clear that losses at the former British naval yard, which totalled LM13m (\$34m) last year, were unacceptable. He discussed the changes with dockyard employees before they were approved by parliament. Godfrey Grima, Valletto

**ECONOMIC WATCH** 

#### Spanish price rises slow



December to show a 1.8 per cent rise over the last 12 months, the lowest annual increase since 1992. ..... However, the figures reinforced worries about the impact of energy prices. which climbed 0.4 per cent from November and 7.1 per cent since the end of 1995. The centre-right government is increasingly concerned that higher crude oil prices, combined with the recent strength of the dollar, in which oil

imports are denominated, could impede its efforts to bring inflation into line with the qualifying criteria for the European single currency. The rise in consumer prices last year was reduced from 4.3 per cent to 3.2 per cent, the lowest level for more than a quarter of a century, and the government is aiming at a 2.6 year-on-year rate at the end of this year. However, recent heavy rains and frosts threaten to push up fresh food prices in the coming

David White Madrid ■ European Union consumer prices rose a provisional 0.2 per cent in December from a month earlier and rose 2.2 per cent year on year, the Eurostat statistical office said.

# Hopes rise in Italian pay dispute

By Paul Betts in Milan

The Italian government yesterday stepped up its efforts to reform the country's railways and to bring a nine-month pay dispute in the engineering and metalworking industry

Both issues are important components of government attempts to any risks of the contract at a time overhaul the structure of loss-making state enterprises and contain inflation so that Italy can meet the convergence criteria for membership of the European single currency.

There were signs yesterday of a possible braakthrough in the protracted metalworkers' dispute after the government proposed a new compromise contract for the Mr Romano Prodi, the prime minis-

By Theodore Troev in Sofia

Socialist party yesterday

ignored weeks of demonstra-

tions by the public demand-

ing early elections and

including the finance minis-

ter. Mr Dimitar Kostov, were

in the previous administra-

tion. The new faces repre-

sent a retreat from the Socialists' initial bopes of

experts who would win wide

Union of Democratic Forces,

has rejected all offers by the

Its leaders fear that any

The Socialists insist that

the only way out of the deep-

ening financial crisis is to

lty with demonstrators.

About half the ministers,

approved a new cabinet.

Socialists defy

Bulgarian poll

Bulgaria's governing cabinet will be voted

forming a broad cabinet of 47 per cent, Bulgaria's high-

Protests and public trans- political deadlock and tha

port strikes paralysed the datayed introduction of an

country yesterday and ara IMF-backed currency board

The opposition, led by the garia's \$10bn foreign debt

Socialists to join a coalition. tor, to write to President

compromise with the BSP He insisted that the presi-

would shatter their credibil- dent impress on political

form a government that able wbetber a cabinet

would work under the cur- formed by the BSP at a time

rent parliament to introduce of nationwide public discon-

as quickly as possible an tent could have enough sup-

regime designed to restore fiscal regime needed.

the lev. They hope the new

through parliament tomor-

Any further delay in deal-

inflation and with such

urgent issues as financial

restructuring threatens a

total collapse of the econ-

omy. Experts from the

National Statistics Institute

estimate January inflation at

Fears that continuing

prompted Mr Michael Cam-

dessus, IMF managing direc-

Petar Stoyanov last week.

parties the enormous social

price of further delay in solv-

However, it is question-

ing the country's crisis.

est ever monthly figure.

pressure for

1.7m blue-collar workers. Although employers were still concerned hy the proposed pension provisions. there appeared to be broad agreement on the level of wage increases, which are likely to set the pattern

for settlements in other sectors. Both government and employers have been worried by the inflationwhen wages have shown signs of

rising faster than inflation in Italy. The compromise, involving extending the pay award of L200,000 (\$125) a month over 30 months rather than 24, followed all-night talks between the government, unions and employers on Sunday. The centre-left administration of

L10,000bn (\$6bn) in the past four years, would be split into two companies: one to manage the rail network, the other to run services and maintain and repair the rolling stock. Separate companies would also be set up to run individual train

ter, hopes the remaining obstacles

In contrast, railway workers, who

were holding talks yesterday with

can be ironed out this week.

create more competition and align the Italian railways with the general liberalisation of rail services in European Union countries. The government is also seeking to reduce costs and improve services. The unions, which regard the proposals

The railways, which have accumnabolish benefits such as free travel. lated net losses of more than The government is also expected to step up the pace of the restructuring and eventual privatisation of Enel, the state electricity utility. A commission has recommended breaking up Enel into an independent transmission company controlling the grid, and various electricity production and distribution compa-

of strikes later this month.

tre, but opponents argue a

phase-out will lead to

increased imports of fossil

fuel power because mora

environmentally friendly

alternatives are incapable of

replacing lost nuclear capac-

the transport minister, Mr Claudio Burlando, reacted furiously to latest government plans to restructure the state system and bave called a series as a first step to privatisation, were particularly angry about plans to

Mr Burlando said the aim was to nies competing in the market.



IMF-backed currency board port to implement the tough Striking Bulgarian public transport workers shout slogans as they demonstrate on the streets of the capital. Sofia, yesterday

# Belgian tax raid on minister's aides

By Neil Buckley in Brussels

Police yesterday raided the Belgian finance ministry. including the offices of aides to the finance minister, Mr Philippe Maystadt, as part of an inquiry into allegations of tax fraud by Belgian banks.

The judiclal police were simultaneously interviewing staff of Krediethank, the THE FINANCIAL TIMES

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whether the two cases were in the late 1980s.

Kredietbank has been under investigation in recent weeks for allaged tax evasion. its independently run sister bank. Kredietbank Luxembourg - also owned by the Antwerp-based company Almanij – has been the subject of a probe by Belgian tax anthorities since last

Belgian media have published documents suggesting that Mr Maystadt's aides intervened in 1995 to reduce a penalty paid by Krediet aides were searched.

country's second biggest bank in connection with tax Mr Maystadt said this ernment after a new corrupbank, hut refused to say evasion on bourse operations

The fine paid by Kredietbank was reduced from 50 per cent of the BFr155.2m (\$4.6m) involved - as originally agread with the tax authorities - to 40 per cent following an order reported to have emanated from the finance ministry.

Mr Maystadt has repeatedly denied having intervened in the case, and officials at his ministry said his personal office was not involved in yesterday's raid. However, the offices of his

down as finance minister at the next general election in gle reason" to expel the fran-1999, when he will have been in the job 10 years. The francopbone Christian Socialist tary Fund.

has been tipped as a possible of the International Mone-

The raid is another blow to the image of the Belgian government, already rattled

prime minister, said yester-

Mr Jean-Luc Dehaene, the tion group. Dassault and the day that he had no plans to officials have denied any reshuffle his centre-left gov- wrongdoing.

by recent scandals.

ties have demanded - in successor to Mr Michel Cam- spite of the arrest of two fordessus as managing director mer senior Socialist officials. The two, Mr Merry Hermanus and Mr Francois Pirot, were charged with corruption as the result of a long-running probe into contributions to party funds hy Dassault, the French avia-

weekend he planned to stand tion controversy erupted last

Far right candidate tops first round in French local election

# NF may capture fourth town

By David Buchan in Paris

The far-right National Front stands a good chance of capturing a fourth town in southern France next weekend after its candidate topped the poll in Sunday's first round municipal election in Vitrolles, near Marseilles - 10 percentage points ahead of the socialist mayor. Yesterday the candidate of

tbe ruling centre-right

Minister Alain Juppé, who heada the RPR Gaullists. urged him and his supporters to follow "republican values" in the run-off on February 9 - effectively to vote socialist to prevent the NF candidate, Mrs Cathérine

Megret, from winning. and rightwing parties are increasingly supporting in the second round whichever majority, who came third of their respective candlwith 16.3 per cent, pulled ont dates does best in the first refused to do a deal with the of the election, after party round against the NF. Last

leaders, including Prime November in Dreux, near Paris, the withdrawal of the socialist candidate after the first round helped the centre-right best off the NF.

The presence of the NF in many of France's 22 regional councils is also destabilising local government. Last month, the central govern-France's mainstream left ment had to take over budgetary responsibility for the right RPR and UDF coalition iost its majority because it

Neither the ruling RPR-UDF coalition nor the opposition Socialists like such tactics, which cloud the policy differences they are trying to stake out in the run-up to the 1998 parliamentary elections.

week. There was "not a sin-

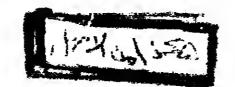
cophone Socialist party from

the four-party coalition gov-

ernment - as opposition par-

won by the RPR-UDF candidate will undoubtedly go to the NF next Sunday, but | meetings with Vice Presisome will probably evaporate into abstentions. In 1995, the NF won tha southern towns of Toulon. Orange and Marignane.

Some of the 16.3 per cent



# MEWS DIGEST Boost for Italy's bid to be in first Emu wave states and explained field covering the treatment of at length the treatment of several field covering the treatment of several key issues. By Lionel Barber in Brussois intended to create a level playing field englished at length the treatment of several key issues. Sales could not be used as a device to reduce deficits owned national railways, privilege ahead of key issues. Swaps on interest rates and currectly swaps. Finland and Australia are affected. Eurostat has ruled that only net payments of structure, and state guarantees at the control of several control

TESDAY FEBRUARY

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mish price rises slow

And Mr Juan Carlos Rodrijokes that newspapers may next to the offers of sexual services: "Corporate tax, 10 per cent discount, make

your payments in Vizcaya!" 1997 hudget, cutting five

Under a special deal distinct from Spain's other 15 regions, the Basque country and naxt-door Navarre are responsible for collecting taxes themselvas, paying

Up to now Basque taxes, although levied by provincial anthorities rather than

intended to create a level playing independent status and explained sales could not be used as a . Swaps on interest rates and to treat the debt of Italy's statereceived a boost yesterday after ary 1, 1999.

The goal is to avoid charges of approved hudget measures trim-"creative accounting" which erupted last year when Eurostat approved a one-off FFr37.5bn (\$6.78bn) payment from France passing judgment on Italy's Tax Telecom to the Paris government.

for Europe, the government's one-The payment covered pensions off surcharge on income tax bills. liabilities amounting to 0.5 per The Euro-tax, worth around 0.5 cent of French gross domestic per cent of GDP, is viewed as product. critical for Italy's upbill bid to be

During a one-bour news confer-

(\$3.1m) (0.26 per cent of GDP). The Commission has already facof 3.3 per cent for Italy's hudget (\$160m) (0.13 per cent of GDP) deficit in 1997, just above the Fungible bonds. France won Maastricht target of 3 per cent

ence at the European Commission reduce its huge stock of official anthorities have already booked yesterday, two senior Eurostat debt, double the Maastricht tar- the Item - worth 0.18 per cent of lished by Eurostat yesterday are officials defended their agency's get. However, it ruled that such GDP in the 1996 accounts

its. Eurostat approved lialy's can be used to cut the annual decision to record interest on Ital- deficit. Buy-back clauses are cooian postal bonds worth L5bn tingent liabilities which are not recorded in the government debt. Depending on the treatment, the tored in the sum into its forecast UK could book an extra £100m

approval for these bonds which · Gold sales. Eurostat sano- are issued in tranches without tioned the Belgian government's changes in the date of payment use of profits from gold sales to of the conpons. The French

curreocy swaps. Finland and Aus- owned national railways, private tria are affected. Eurostat has sector financing of public infraruled that only net payments of structure, and state guarantees, a interest between the two parties delicate issue in Germany. sbould be recorded

· Zero coopen bonds. After a first burdle for countries seeking majority vote by the relevant to join monetary union. Eurostat committee, the agency will treat the difference between the issue price and the redemption price as interest, to be recorded as interest paid at the maturity of the bond.

In accounting terms, the controversial aspect of Italy's Eurotax is its provision for a future partial refund.

Eurostat must also decide how

J P Morgan Calculator 3/2/97

# Banks preparing Eurostat's rulings are only the

They must also convince the By George Graham, European Monetary Institute and

the Enropean Commission that they have met the Maastricht tar- Only one bank in four has gets for inflation, debt, deficits, yet begun to change tts comand exchange rate stability in a puter systems to handle sustainable manner. EU leaders monetary unton, according will make the final decision in to a survey of European spring 1998 on which countries financial institutions by Gemini Consulting, the management consultancy arm of the Cap Gemini computer services group.

Although 85 per cent of the bankers surveyed by Gemini believed the single currency would be introduced on time, 91 per cent said they had still received no clear statement from their software suppliera about what needed to be programs handle the

Six out of ten believed that the UK banking industry would still be

Eleven per cent of banks had not even started preparations

unprepared for Emu by January 1, 1999, when Emp is scheduled to begin.

Mr Jo Owen, vice-president of Gemini Consulting, said the survey contained a stark message about the preparations for Emu. Although the current

debate is sharply focused on the macroeconomic and political aspects of the euro, the underlying reality is that the banks and other financial institutions may not be ready to handle the euro," be said.

Besides the 25 per cent who said they had started work on systems changes, another 26 per cent said their assessment of the impact of Emn was com-

But 48 per cent said they were still "getting organised" wbile 11 per cent admitted they had not even

### Right rate for euro is fraught with difficulty Emu: who's going to make it

Make the wrong decision and the ensuing currency speculation could jeopardise the chances of a smooth start to Emu, writes Andrew Fisher



monetary union intention is turning to an

the EU's statistical watchdog

ming the Italian public deficit by

However, Enrostat delayed

The accounting guidelines pub-

0.26 per cent in 1997.

a founder member of Emu.

makes bank. for Emu era recall

past waves of currency speculation with a sbudder - bow to fix the rates for converting currencies into the euro.

Should the conversion rate be based on the final working day of 1998, as an independent Brussels-based think tank proposes? Or sbould it be based on an average of the market rates up to Emu'a scheduled start in 1999, as many economists helieve?

If the wrong decision is taken, the ensuing currency speculation could leopardise the chances of a smooth start to Emu. The Centre for European

Policy Studies (CEPS). chaired by Mr Helmut Schlesinger, former Bundeshank president, has just presented its latest report, entitled The Passage to the

It favours using market conversion, but German be made known in advance,

As prepar- bankers in Frankfurt believe possibly just after Emu CEPS's view, would thus be banks' strong views oo ations for this would be an invitation European to speculators.

They especially dislike the suggestion that governments and central banks of chosen Emu member countries ahould set bilateral target Preparing issue that rates to be reached at the end of 1998 (say, for the D-Mark against the French franc) and commit themselves to defending these. if necessary by intervening if rates moved 0.5 per cent above or below tha

"This would be like letting the lions turn on the lion tamer," says Mr Werner Becker, a senior economist at Deutsche Bank Research, recalling previous speculation against European currencies whose exchange rates were regarded as unsustainable.

A member of the CEPS working party which worked on the report, he states in a minority opinion that it would be better to take average rates over two years up to Emu's start. This would avoid volatility

and "the risk of arriving at a

conversion rate that would

not be in line with funda-

mentals". He and others also think It rates on the last husiness vital that the method of calday of 1998 as the basis for culating the conversion rate

members are named in the to take the market rates at this. spring of next year. Othercblef economist of Bayerische Vereinsbank, "wc could be sitting on a time

bomb". The CEPS argues that the use of average market rates could create considerable legal and practical difficul-

the end of 1998. It gives a hypothetical and Belgium were less insisexample of what might hap- tent, he said. pen if the D-Mark were considered over-valued (on eco-

nomic fundamentals) when the time came to convert it

If governments decided its conversion rate against the final conversion rate likely French franc should thus be

If the political choice of Emu members is out of line with the European Monetary Institute's views, speculation could become intense

zens of some member states, which would contradict assurances made to the public," it says. The Meastricht treaty lays

down that fixing of final conect the external value of the they want to achieve. Ecu, the European basket of

The best way to avoid

"Any difference between adjusted by 1 per ceot market rates and the final against the market rate. Gerconversion rates would cre- man savers would get 1 per ate losses or profits for citi- cent fewer euros and French savers more.

The loss [to Germans] could thus easily amount to DM30hn [\$18hn]," it says. Hence its proposal that central banks should agree in version rates should not aff- advance the conversion rates Mr Daniel Gros, the senior

CEPS research fellow who presented the report in legal challenges to the value Frankfurt, said that he was of the single currency, in the surprised at the German

Bankers in France, the UK

Admitting that there was a legal "grey area" over fixing the conversion rates, he said a market average would not necessarily solve this.

Target rates - with the to be at or close to the midpoint of the agreed range would be the best answer. tt is not ooly bankers who

disagree. Some central bank and monetary officials also take issue with the CEPS and, therefore, favour a market rate average. Economists argue that the

foreign exchaoge market will follow closely the progress of the average as it narrows down to a concluding rate on the day before Emu. The use of any other

method than a market average would be "absolutely crazy" in the view of Ms Allson Cottrell, economist at PaineWebber International in London. By taking an average, any

unforeseen economic and currency shocks could be absorbed. She believes the market will pay close attention to

gence report by the Euro-

with the EMI's views, speculatioo could become intense. 'One of the most delicate periods will then come November's next cooverbetween choosing the mem-

ing towards Emu.

how countries are progress-

bers and starting Emu. This

UK

pean Monetary Institute will be a sort of limbo land." (EMI), forerunner of the By taking an average, the European central bank, on currency path to Emu could be kept fairly smooth, she says. Mr Jürgen Pfister, If the political choice of economist at Commerzbank Emu members is out of line and a member of the CEPS working party, agrees.

have qualified for Emu.

1 week ago

100%

100%

80%

4 weeks ago

. 100%

Commodities, Page 32

There are enough uncertainties on Emu, so the technical method of deciding the conversion rata should be

# Basques upset Madrid with tax incentive plans

A lowering of the corporate tax rate faces a legal challenge from Spain's central government. David White reports

attract companies has become a controversial issue in the European Union but in Spain the Basque region has opened a new dimension by imposing lower corporate taxes than the rest of the

provinces making up Spain's autonomous Basque region to lower the standard corporate tax rate on 1996 profits from 35 to 32.5 per cent faces a legal challenge from central government. But Basque officials are confident they are within their rights.

Mr Fernando Olmos, reducing the financa chief for Vizcaya rate to 30 per province, the industrial powerbouse based on the city of Bilbao, says the regional initiative is unique in the EU. The centre-right Spanish government launched its bid to block it last September, shortly after the measure was introduced. fearing "fiscal dumping" would distort internal com-

Neighbouring La Rioja. run by Spain'a governing Popular party, unsuccessfully sought an injunction to suspend tha Basque measure. Others, such as Galicia, threatened to demand similar tax-decision powers.

guez Ibarra, Socialist president of rural Extremadura, soon be running small ads

The central government countered by slipping a lastminute amendment into its points off small companies' tax rate for their first Pta15m (\$108,000) profit.

part to Madrid.

hetween states to have been basically in line with the national rates. The corporate cut is

designed to attract moreinvestment to a region recovering from the decline of old heavy industries and still suffering the impact of terrorist violence and black-The decision by the three mail threats. In the 1970s and 1980s, a number of com-

> even France. Vizcaya's elected provincial council initially proposed cent, but set-

regions or

tled with the other two Basque provinces Guipuzcoa and Alava on a half way compromise. Says Olmos: "Companies make

their decisions for many reasons. What we don't want is that tax should be an obstacle to their coming."

the minority Popular party other concessions in exchange for support in the Spanish parliament from the five MPs of the Basque Nationalist party, which coalition administration.

cent, and later on by up to 6 per cent. But the Basques can move theirs hy up to 20 per cent, and Mr Olmos says they intend to use the facil-

panies moved out to other to copy the state," he says. Fluce arrangement hreaks for new companies is an oddity - satting to is an oddity -but an oddity with a 600year bistory. From the 14th century, when the lordship of Vizcaya was finto crown of Castile, until the ALANA Vitoria Parrationa 19th, its citi-

URGOS TOBAROS NAVARRA ZEUS exemples paying were exempt from LA RIOJA 25 Mrss paying Castillan taxes. Instead.

annual "donations" were voted on and sent to the cap-The current system of spe-

While clashing with the cial "economic agreements" Basques over corporate tax, dates from 1873, when it was introduced to compensate government has agreed to for the abolition of the region's ancient privileges. Quashed by General Franco in 1937 after his troops had taken Bilbao - in a decree citing the "treachery" of Vizheads tha Basque region's cays and Guipuzcoa - it was revived undar the Basque

Madrid fears 'fiscal dumping' will distort internal competition

are still being tied up, gives the Basques responsibility for the one category of tax they did not already collect "special taxes" on petrol, tobacco and alcohol. The rates of these taxes will not vary. On the other hand, the Basques will gain considerable leeway in income tax

Most Spaniards are and provincial councils. already confused by regional

This deal, details of which autonomy statute of 1979. Each Basque province is responsible for tax collection, including value-added tax. A cut goes to Madrid for centrally run functions such as defence, foreign affairs and the monarchy. Basques pay a set 6.24 per cent of these costs. The rest of their tax take goes to the regional government and municipal

Tax competition the Spanish inland revenue, financing arrangements. A regional officials, is more new general regime gives efficient and cuts fraud. Mr regional governments effec- Juan José Ibarretxe, the tive powers to raise or lower region's vice-president, income tax rates by 3 per responsible for finance, told a recent Madrid conferences receipts and expenditures well, we will obtain a comparative advantage. But if ity. "We did not get the transfer of competence just we do it badly nobody will come to pay for our mis-

> scale over the first four years. This says, Mr Olmos. simply matches conditions across the border in France. "Instead of criticising, why doesn't Madrid do the same?" be asks. "I have no

incorporated problem if other regions copy us. But we don't want to be left behind in competition with other European countries." Mr Baltasar Errazti, chairman of the Basque employ-

ers' organisation Confebask says the region is no tax baven, but its fiscal "peculiarities" add to to an improving investment climate. New arrivals include Korea's Daewoo group. which is building a Ptall.8bn (\$85m) refrigerator factory outside Vitoria.

Coopers & Lyhrand, the UK-based accountancy group, moved its Spanish registered office from Madrid to Las Arenas, near Bilbao, six months ago "principally for tax reasons," according to Mr Colin Blessley, partner in charge of corporate finance in Spain. A condition of fiscal domi-

cile is that companies carry

out at least 25 per cent of their husiness in or from the region, but the firm already had a large practice there. It wanted its revenues to be counted for tax purposes when they were received rather than invoiced. "The central tax authorities didn't quite see eye-to-eye with us," admits Mr Blessley. But the Basque tax people have been "very co-operative," he says. "The rate of corporation tax, obviously, is an additional Handling taxes locally, say

# AS 1999 APPROACHES, HOW PREPARED ARE YOU FOR EMU?

inance: markets place on selected countries being willing and able to join

swaps market, in which arrectors swap floating rate interest payments on an

investment for facel race ones. Courties as selected if they have a liquid swarp market which allows comparable probabilities to be calculated. The

Nethenands is seen as being 100% certain of joining Emu, Finland, Ireland

perceived tougsering of the German position over Spanish and Italian efforts to perceive in moneavy union by 1999.

and Portugal will be added to the Emu calculator in the coming weeks.

Serrary in farming a single European currency in 1999. Corrency structure of a structure of the structure of

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Country is poised to become Africa's battleground, says Michela Wrong

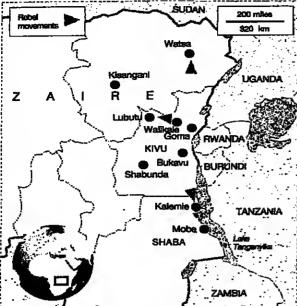
Zaire's civil war seemed doomed to terdsy when the defence ministry said that three African allies - Morocco, Togo and Chad - had offered to send troops to counter a rebel sttack in the east of the country.

The announcement, which coincided with the start of a three-day visit hy Zaire's ail-ing President Mohutu Sese Seko to the Moroccan capital, Rabat, came as the rebels extended their control south into the copper-rich Shaba province. They had seized the port of Kalemie on the shores of Lake Tanganyika and were advancing on Moba.

A ministry official said Morocco, Togo and Chad were all prepared to send troops and equipment to halt the advance of the Tutsi-dominated Alliance of Democratic Forces, and Egypt had offered equipment for Zaire's infantry. "The planes for this operation have already been chartered." he said. However, no date was given for their arrival.

He added that a recruitment campaign, aimed at forming 13 commando brigades of 2,000 men each, had heen launched and China and Israel, which have a history of military co-operation with Zaire, would train the new recruits.

The announcement of foreign intervention conjures urday, is acknowledging that up memories of the 1970s. the presence of 300 foreign when African and western mercenaries has not been



Zaire's defence after rehel invasions of Shaba placed its territorial integrity in ques-

Coinciding as It does with growing signs that Zaire's nalghhours to the east -Uganda, Rwanda and Burundi - are crossing the border to help the rebels, it raises the frightening prospect of African troops fighting esch other on Zairean

By calling on his allies for help, Mr Mohutu, who returns to Kinshasa on Sat-

the war. The mercenaries bave been flown to the eastern town of Kisangani, the main army hase in the region, and have heen equipped with Russian and French helicopters and Ital-

But the "total and devastating" government counteroffensive promised last month triggered attacks in the south, west and north by rebels intent on stretching Zairean lines as thin as possible and exporting their revolt to Shaba and Upper

While located a long way from Zaire's mines, Kalemie, forces repeatedly leapt to enough to turn the tide of the hub of a rail network. Ethiopian and Somalian and Amisi.

serving the copper belt, still mercenaries are helping the represents a serious loss. It rebels train their fighters. Many of these accusations is the birthplace of Mr Laurent Kabila, the rebel leader, are too wild to be credible. who is clearly hoping to fan

strong existing secessionist feelings in Shaba province,

which declared autonomy

from Kinshasa a few years

igo. Tha rebels were reported

neously in the far north and

to the east of Kisangani.

Watsa, south of the border

with Sudan, was said to have

fallen and guerrilla forces

rebel successes has lent cre-

dence to Zairean claims that

Uganda and Rwanda have

infiltrated the area to hasten

the downfall of a regime

reject tha secusations, say-

ing Zaire is looking for

scapegoats for its own abys-

mal military performance,

potential for regional desta-

Belgium said last week it

was receiving more and

more reports that Rwandan

troops were in Kivu. a devel-

opment it described as

'unacceptable". A French

spokesman said that while

Paris lacked concrete proof,

it was "worried" hy indica-

tious of units from neigh-

bouring countries fighting

Zaire has also claimed that

several hundred Eritrean.

alongside the rebels.

increasingly uneasy.

they despise.

The unchecked string of

were surrounding Labutu.

But analysts say that having provided the superpowers with a proxy battlefield during the cold war, Zaire is now in danger of playing host to a new, inter-African tussle, with France and the to be advancing simulta- US as the western countries watching from the wings.

Rwanda, Uganda, Ethiopia and Eritrea are all in the hands of fairly young leaders hardened by years fighting in the bush. They enjoy strong backing from Washington, and are anxious to shore np their governments against the threat of Islamic

fundamentalism from Sudan.

Intelligent, flexible and reform-minded, these men While hoth countries are united in their hostility to tha Khartoum regime. No respecters of colonial horders themselves, they have little sympathy for a generawestern governments alarmed at the conflict's tion of African autocrats such as Mr Mobutn who have, with France's blessing, hilisation are growing clung on since indepen-

> in danger of being forgotten in this volatila scenario are the hundreds of thousands of Rwandan refugees who fled deeper into Zaire instead of returning home last November and who are

now trapped by the fighting. The UN High Commissioner for Refugees said mal-nutrition and cholera were rising among the estimated 200,000 people at Tingi-Tingi. east of Lubntu, Shabunda

#### **Bonino** anger over refugees

By Neil Buckley in Brussels

Ms Emma Bonino, European humanitarian affairs commissioner, yesterday accused the US and the rest of the international community of turning a hlind eye to the suffering of up to 500,000 in Zaire.

On her return from a visit to the region which she described as a "journey to hall", Ms Bonino said sha had personally seen about 200,000 refugees and helieved at least 200,000 more were sheltering in the Zairean rain forest.

She said countries such as the US, with sophisticated military technology, could not be unaware of the extent of the crisis, and accused them of attempting to play down the crists.

She warned Mr Kofi Annan, new secretary general of the United Nations, that the credibility of the UN was at stake unless it took action to deal with the

At present, only humanitarian aid agencies were taking the situation seriously.

"I am not dramatising." Ms Bonino said. "This is s scandal and unacceptable." Asked if she believed the US was deliberately trying to cover up the crisis, Ms Bonino said she had no evidence to suggest this. But if the US said it was unaware of the number of refugees. "perhaps they simply have

INTERNATIONAL NEWS DIGEST

# Israel to ease currency curbs

The Bank of Israel yesterday unveiled a package of foreign currency liberalisation measures which will allow Israelis to invest freely in overseas securities markets, have fewer restrictions on holding foreign currencys and

obtain it without showing travel documents. Under current legislation, Israelis can only invest in securities traded on officially approved exchanges. They cannot invest in certain foreign mutual funds, and can only obtain foreign currency for travel ahroad on presentation of a valid travel document.

Tha new measures will give Israelis the choice to invest in all foreign publicly traded securities and initial public offerings – provided both are quoted on a widely available network. On the Tel Aviv stock exchange the MAOF index closed up 3.21 per cent at a two-year high of 265.63. Judy Dempsey, Jerusalem

#### Lebanon in budget vote



curps Reuters

The Lebanese parliament yesterday was set to vote on a 1997 hudget which slashes the country's deficit to 36 per cent of total spending, from a recorded shortfall of 51 per cent last year. The deficit has consistently exceeded its targets - the 1996 hudget was forecast at only 38 per cent - and parliamentary deputies debating the budget draft have questioned the government's ability to maintain revenues and expenditures on target this year. Tha 1997 budget

forecasts revenues of L£4,100bn (\$2.65bn) compared to actual revenues of L£3,533bn in 1996. (The 1996 budget had forecast revenues of of LS4,025bn). Expenditures are expected to reach L£6.433bn, slightly below last year's Roula Khalaf, London forecast of L.S. 448bn.

#### China arms sale discounted

A South African company said reports that it was negotiating a R1bn (\$220m) arms sale to China were overblown, but disclosed that Beijing had sent a delegation to the country last year.

Mr Gordon Blackbeard, marketing director for Reutech Radar Systems, said yesterday: "Reutech was approached by China for preliminary discussions and a delegation was received in May 1996 which indicated an interest in radar products . . . We've had nothing further since." Reutech said China was interested in a highly mobile

two-dimensional radar system which it developed in . co-operation with the government-controlled Armscor agency. But Mr Blackbeard said that after his company was asked to provide a budgetary quote, "no technology transfer was sought or offered". South Africa's National Conventional Arms Control

Committee - which vets all South African arms sales to foreign countries - said yesterday that it had not received an application on a possible deal with China from

# Israel and PLO to press ahead with talks

By Judy Dempsey and Avi Machlia

Israeli and Palestinian lesders confirmed yesterday they would meet on Thursday to try to speed implementation of overdne issues, including the release of Palestinian political prisoners, the establishment of a safe Gaza-West Bank corridor and the opening of an airport

Diplomats said the meeting was Authority. crucial for maintaining momentum

Beijing

line on

industry.

in tough

dumping

China is threatening to take

while protecting domestic

exporters in anti-dumping

"Lack of suitable laws"

made it hard for China to

take action, but the ministry

had snhmitted new anti-

dumping rules to bigher authorities for approval.

and non-tariff barriers

decrease rapidly, anti-

dnmping measures are

hecoming increasingly

important in protacting

domestic manufacturers,"

Recent actinns abroad

involved some of China's

main exports such as bicy-

clas, televisions, fabrics,

ing "erroneous conclusions" in calculating prices of Chi-

by China's State Economic

and Trade Commission

heard complaints that pro-

gressive cuts in tariffs and

non-tariff harriers had

fuelled an "import boom".

Participants accused foreign

companies of dumping low-

eminar held recently

Mr Zhang said.

nese products.

priced products.

"In a world where tariff

cases abroad.

withdrawal of Israeli troops from Hehron last month which left the Palestinians with 80 per cent control of the West Bank city.

The decision to meet at the Erez border crossing between Israel and Gaza follows weekend talks in Davos, Switzerland, between Mr Benjamin Netanyahu, the Israeli prime minister, and Mr Yassir Arafat, president of the Palestinian

Mr Netanyahu also said at Davos

in the peace process following tha he would try to curb the number of foreign workers entering Israel, who officially total 104,000 and have taken many of the jobs originally held by Palestinians.

The Palestinians have not been allowed to to work in Israel until recently hecause of the closures imposed on the West Bank and Gaza early last year by the Israeli government

The record of the Palestinian Anthority's human rights in its self-ruled areas came under closer

scrutiny vesterday. Officials confirmed Mr Yussef Ismail al-Baba, 32, had died in a local hospital after being tortured hy Palestinian security forces in the West Bank city of Nablus at the weekend.

Mr Freih Ahu Meddein, the Palestinian justice minister, said that Mr al-Baba, a Nahlus resident, died of injuries sustained after being tortured by his Palestinian interrogators. He had been detained without a warrant since January. The justice minister condemned

the incident and said that an investigation had been launched. Palestinian human rights organi-

sations said torture had become commonplace in Palestinian prisons. The Palestinian Society for the Protection of Human Rights said that nine people had been tortured to death since the Palestinian Authority began assuming control of parts of the West Bank and Gaza Strip in 1994, under peace deals hetween the Palestine Liberation Organisation and Israel

#### **NEWS:** WORLD TRADE

## Study predicts integrated 'hub in the home' systems by next century

# TV revolution 'will fuel sales'

By Alice Rawsthom

Television screens which hang on walls like paintings will become the huh of integrated entertainment, information and communication systems in the homes of the next century.

anti-dumping measures against imports of colour A study\* by Euromonitor, the market research consulfilm, plywood, ashestos, steel and bousebold applitancy, predicts that these ances under proposed rules multifunctional flat screen reflecting growing concerns televisions will become the about pressure on domestic control centres for all the electronics products used by China's threats to adopt a consumers in their homes, tough anti-dumping regime including radios, televisions and personal computers.

is also in response to dozens of actions launched recently The transformation of the against Chinese exports, many by the European Com-Mr Zhang Yuqing, depnty director general of the Ministry of Trade's treaty and law department, told the China Daily Business

television screen into a key part of home entertainment and communications systems, coupled with the development of new digitised portable products, should stimulate consumer electronic sales after the slug-Weekly that China planned gish period experienced to issue anti-dumping laws

**World Consumer Electronics** 

Forecast world consumer electronics market, by region, by value

		\$m, com	bant 1996 p	orices_	
EDINA PARI SECU	1996	1997	1998	1999	2000
A STATE OF THE PARTY OF THE PAR			45.285	48,032	.50.848
.Western-Europe	38,603	39,748	40,607.	41,417	42,211
North America	31,685	32,094	32.676	33219	33,773
Eastern Europe	7,761	8,034	8.247	8,468	8,594
South America	4,561	#850 »	5.184	√5,468°y	5,872
Australasia	2,126	2,152	2,185	2,215	2,245
Reddle East	1,604	1679	1 736	1.789	1,844
Africa	1,255	1,333	1,408	1,449	1,490
World Total	127.655	132,614	137,840	42,055	46,885
Source: Euromanear					

in the early 1990s.

Euromonitor estimates ditions during the late 1990s that global consumer elec- with sales showing average tronics sales rose from annual growth of 3.6 per \$117.13bn in 1992 to \$127.65bn cent (at 1996 prices) until the in 1996.

This was an increase of 9 market should be worth per cent over five years. \$146.87bn. which means that the market contracted in real terms.

However, Euromonitor per cent. warns of continued pressure one of the chief contributors in the early 1990s.

Sales should be concentrated in five countries - the US, Japan, Germany, China and the UK - although their market share is expected to fall from last year's 62 per improvement in trading concent to 53 per cent hy 2000, as growth accelerates in Latin America and else-

where in Asia.

By cootrast, the consumer electronics industry is still relatively fragmented.

tal video cassette recorders

well as new bome entertain-

ment and digital video disc

Only two companies command more than 10 per cent This growth will be fuelled by the launch of new digital of the global market: Sony It anticipates a modest television services and asso- and Matsushita of Japan ECIM 5NA. Tel:0171-251 1105.

ciated products such as digi- with 17 per cent and 13 per cent respectively. Philips of and satellite equipment, as the Netherlands has a 9 per cent sbare, followed hy France's Thomson and Japan's Sharp, both with 6

These companies are on retail prices, which was already developing new products such as flat televito the industry's difficulties sion screens, which will soon go on sale, alheit at extremely high prices.

Other innovations include windows televisions with wide screens which are capable of displaying different windows for information or entertalnment, along with advanced televisions that can perform the functions of personal computers, games consoles and home theatre

systems. \*The World Market For Consumer Electronics; ovailable for £4,950 from Euromonitor, 60-61 Britton Street, London

## **Long future** for fossil fuels

WORLD TRADE NEWS DIGEST

#### The supremacy of the internal combustion engine and the role of fossil fuels in transport will go unchallenged well into the next century, according to a new report on the engines of the future\*. Fossil fuels will continue to provide 80 per cent of the world's energy needs for at least 50 years, while 90 per cent of vehicles will have

conventional engines for the next 10-15 years. Forecasts that environmentally friendly battery-powered cars will gradually replace the internal combustion engine have been downgraded because of difficulties in battery technology. The drawback remains

cost and low storage capacity. Research into alternatives to battery power has been stepped up, however. Studies into fuel celi technology, wherehy liquid fuel is turned into electricity without the need for combustion, is progressing more quickly than seemed possible two years ago. Haig Simonian, London \*New Generation Engines - 1997 edition. Jeffrey Daniels. EIU, +41 171 830 1007. £595|\$945

#### **Optimism on IT tariff deal**

European Union officials said vesterday they were optimistic that Malaysia and some other countries would shortly join a deal to scrap information technology tariffs by 2000, bringing trade coverage to the required 90 per cent for entry into force in April.

The 29 existing participants - including the US, EU, Japan and Canads - account for nearly 84 per cent of world trade in information technology products.

in talks at the World Trade Organisation that ended on Friday, Malaysia, Thailand, India and the Czech Republic apparently agreed the initial list of products for which tariffs will be eliminated. But differences remained on their demands for an extension beyond 2000 for some products. Negotiations nevertheless came "within a whisker" of agreement with Malaysia, according to EU officials. Talks with all four countries are planned to continue until the March 1 desdline for submission of Frances Williams, Genevo

#### Rolls-Royce wins SA order

South African Airways has confirmed its faith in Rolls-Royce of the UK by ordering its RB211 engine to power two new Boeing 747-400s. The order, valued at \$80m, came after Rolls-Royce said some versions of the RB211 would have to be modified after suffering turbine blade failures. Mr Mike Myburgh, SAA's chief executive, said the new aircraft, due to be delivered next year, would be used on flights between South Africa and the US. Michael Skapinker, Aerospace Correspondent, London

#### EU, US to resume talks

EU and US negotiators will meet in two weeks in Brossels to resume negotiations on a package of mutual recognition agreements after missing the January 31 deadline set by US President Bill Clinton and Mr Jacques Santer, president of the European Commission. In December, the US and EU agreed that products tested and accepted on one side of the Atlantic as meeting pre-agreed standards could be cleared for distribution on the other. This is expected to save the sectors under discussion pharmaceuticals, medical devices, telecoms and information products and others – an estimated \$200m. Nancy Dunne, Washington

# Ecuador call for bids to build oil pipeline

The Ecusdorian government has called for private bids to huild a second 514km oil pipeline under a 20-year operating concession.

The axisting 500km state pipeline, built in 1972 and already expanded twice, is st the limit of its transport capacity.

shoes and bags. This had By pumping up to 50,000 barrels a day through Colfnrced key exports to "retreat" from traditional ombia and using anti-friction He described many dumpchemicals, Ecuador can curing charges as "unfair and discriminatory" and accused rently produce a maximum of around 385,000 b/d. countries of wilfully reach-

"The naw pipeline Is an incentiva for companies at the exploration stage," according to Mr Alvaro Caravia, commercial manager of Techint, an Argentinlan company in a consortinm interested in bidding for the \$400m project.

The nsw pipeline, called SOCO, is exclusivaly for heavy crude. It will run from Sacha in

Balao on the north-western potential volume, and a pacific coast.

The existing pipeline, carried. SOTE, will be able to maximise transport of lighter heavier, enabling Ecuador to target different markets. The new ronte starts in

the heart of Ecuador's oil-

state company Petro-Ecuador's fields are located. It passes through a zone containing most of the hlocks awarded to the private sector in the country's seventh and eighth rounds in 1995-96, before meeting the SOTE pipeline at Baeza.

independent of the SOTE to the coast Construction costs will be reduced by using the same route as the SOTE, resulting in a lower transport tariff. The tariff will be the deciding basis for awarding the contract and bas two compo-

nents, a minimum price pay-

able whether or not crude is

It then runs parallel to hut

price for the volume actually

year 2000, when the global

The route does not cross any national park or ecologicrude, currently mixed with cal reserve, and in the zone of earthquake risk, the pipeline will be buried to prevent disruption of supply.

The new pipeline would producing region, where make use of existing port facilities at Balao, although the heavy and light crude will be kept separate. Capac-ity for tankers, loading and connections with a state refinery at Esmeraldas must all be expanded. Tha successful contractor

must slso provide storage facilities for 2m barrels of crude at Balao, in case of delays in the arrival of ships collecting crude. At Sacha, it must provide capacity for 750,000 barrels to cope with any potential huild-up of

Past plans to increase transport capacity have not come to fruition and there is residual opposition to the north-eastern Ecuador to transported, hased on the latest project.

#### Brussels probes fax dumping 5kg - from the seven coun-

By Neil Buckley in Brussels

The European Commission has opeced an investigation into a complaint from Philtos of the Netherlands that exporters in Japan and six other south-east Asian countries are dumping personal fax machines in the European Union market.

The unnsnally broad inquiry, covering manufacturers from Japan, China, Sonth Korea, Malaysia, Singapore, Taiwan and Thailand, was published in the EU's Official Journal, with interested third parties given until next month to submit commants.

The Commission will then decide whether there is a case to answer, after receiving the original complaint from Phillps on December 20, and whether antidumping duties should he imposed on producers. Philips alleges in its com-

plaint that low-priced per-

sonal fax machines - defined

as those weighing less than

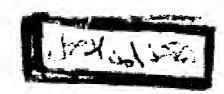
tries have increased their share of the EU market significantly in recent years, with an adverse effect on EU producers. But Japanese manufactur-

ers, which intend to defend the case, say imports from Japan have decreased in recent years, ln both unit and value terms, and that Japanese manufacturers' prices are generally higher than EU manufacturers. They add that lesding EU

producers such as Philips and France's Sagem have increased sales and produc-tion. Producers from other countries intend to put forward similar arguments.

Anti-dumping cases have declined in recent years, with the EU keen to svold allegations of protectionism. The case will be one of tha first to be subject to new Commission procedures, involving assessing likely product and market developments, rather than analyses of import patterns.

Alian Alian



ERVAL NEWS DIGEST hel to ease Frency Cur

TUESDAY FEBRUARY

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ong future or fossil fuel

# **GROUP**

# **BUILD** UP YOUR

CREDIT SUISSE is what and where you need your bank to be. Experienced, astute, globel. A leading pleyer backed by over e century of internetional experience end e strong capital base. We're e trusted partner in whatever market or country you operate. We get projects off the ground and make plane reality. Helping to get you to the top.

Our new structure gives you accese to e new world of financial eervices. CREDIT SUISSE FIRST BOSTON gives you the strength and creativity of e leeder in corporate and investment banking. CREDIT SUISSE ASSET MANAGEMENT combines power end judgement to manage eignificant funds around the world. CREDIT SUISSE PRIVATE BANKING sets the standard for international private banking and investment manegement. CREDIT SUISSE is the leading Swiss domestic bank. CREDIT SUISSE. The power to do.

CREDIT FIRST BOSTON

CREDIT ASSET MANAGEMENT

CREDIT PRIVATE BANKING

The most important auction

of prime land in central

Tokyo in recent years lived

up to industry expectations

on pricing yesterday - but

failed to provide evidence

that the slump in Japan's

property market has bot-

Japan's largest advertising

agency. Dentsu, and two

other consortia led by blue-

chip property developer Mit-

sul Fudosan and Nippon

Television Network Corp

successfully hid Y372.3bn

(\$3bn) for three blocks total-

ling 5.25 bectares in Shio-

dome near the Ginza shop-

The site, an old rail freight

station, formerly belonged to

the government's now

defunct Japanese National

Railways (JNR), which was

broken up in 1988. It is to be

redeveloped for office and retail space, cultural facili-

The anction had attracted

close scrutiny as a bench-mark of land valuations. It

was held by JNR Settlement,

the government-appointed

agency responsible for dis-

posing of the JNR group's

accumulated debt of

ties and residential units.

tomed out.

ping district.

By James Kynge in Singapore

Just over a month ago, few in Singapore had heard of Mr Tang Liang Hong, a rotund and bespectacled lawyer in his 60s who was due to run for the opposition Workers' party in the island's parhamentary elections. Today there can be few who have not heard of him.

He has become the focus of what is probably the most comprebensive court action brought by the government against an opposition politician since Singapore's independence in 1965.

Even in this legalistic country, where the government has often won court battles against political opponents, the sbeer number of suits piling up against Mr Tang has ensured much media coverage and considerable private debate. The legal actions are also laying bare ome of the issues which lie at the heart of Singaporean society and the identity of its government.

Mr Tang is being sued by 11 members of the ruling People's Action party (PAP), including Mr Gob Cbok Tong, the prime minister, Mr Lee Kuan Yew, the senior minister and founding father of modern Singapore, Mr Lee Hsien Loong, a deputy prime minister, and other members of the cabinet.

The main accusation against him is that be defamed several among



Tang Liang Hong pictured surrounded by the press during last month's Singapore election campaign

during the election campaign. Following the election, in which

His flight abroad angered Mr Lee

When his wife, Mrs Teo Siew the PAP leaders by saying that Har, tried to leave the country last they lied when they called him an month, authorities cancelled har

completes a tax investigation into

Regardless of bow Singapore's

she should not be allowed to leave country's legal system makes it too until the Inland Revenue Authority easy to sue and whether the government is concerned that the against Mr Tang could prove Mr Tang with an injunction order- unpopular. The opposition was ing that if be sells off his property, crushed in the January election, and now controls only three seats

> Mr Goh told reporters last week "there may be some public sympathy" for Mr Tang but explained that be had no choice but to sue him to protect his reputation.

The prime minister made clear in courts find Mr Tang, questions are the election campaign there are dances. I speak Malay fluently.

brave face tains Mr Tang, 61, is a dangerous man who sought to exploit "faultlines" in Singapore's multi-racial society for political gain. Race riots on land sale in the 1950s and 1960s between the ethnic Chinese majority and minority indians and Malays have made the government vigilant for any sign of racial bigotry.

Foreign relations could also suffer from any surge of Chinese chauvinism, officials said. As China grows more powerful over the next 20 years, the temptation among Singapore's ethnic Chinese electorate to orientate the country increasingly toward China will be strong. This course would run the risk of allenating Singapore's neighbours and closest allies in the Association of South East Asian Nations (Asean), officials said.

"We are not a Chinese nation," said Mr S. Jayakumar, the foreign minister, in an interview. "We should bear in mind that our destiny is with south-east Asia and Asean. That is a key point."

Mr Tang, talking on his mobile phone from London, said the government's arguments were all logical save for a central flaw - that be was not a Chinese chauvinist.

"This is my defence. I am not a chauvinist of any kind," he said. "Look at my life. I spent about 10 years as a dancer and choreographer in the 1950s and 1960s. My favourites were Indian and Malay

Mr Gao's own ambitions to

archy are also involved. At 53, he is relatively young to

be party secretary of an

important city. He was made

Guangzhou's development

zones set aside for foreign

investors represent the

"front line" in the city's con-

tinuing campaign to entice

investors, and the Guang-

zhou Economic and Techno

established of these invest-

ment areas. It bas expanded

Its leadersbip recognises

tbe pressures to maintain

levels of investor interest

against strong competition

from similar zones else-

where, including particu-larly the Pudong develop-

Ms Jiang Huiwen, bead of

says competition bas become

described Pudong's momen-

tum as "very impressive"

ment zone in Shanghai.

to 50 sq km from 7 sq km

since 1984.

an alternate member of the

ruling Politburo in 1992.

#### existing properties, in effect Y28,000bn (\$230bn). JNR Settlement put a halving the acquisition cost brave face on the result, for developers. Jail for Shanghai securities chief

By James Harding in Shanghai

logical Development District A Gbinese court bas is the biggest and most sentenced the former bead of one of Sbangbai's biggest securities firms to 17 years' jail for embezzlement and taking bribes, drawing to a close the most spectacular scandal to bave rocked China's infant capital markets. Mr Guan Jinsheng, the flamboyant founder and chief executive of Shanghai International Securities. resigned after a buge pricefigging scandal in February

the investment department. 1995 that prompted the closure of the bond futures "more intense". Sbe market and the realignment of Shanghai securities firms. The Shanghai No. 1 Intermediate Court convicted Mr

propriating (\$290,000) in public funds under investigation for his involvement in the bond futures scandal for nearly

even though the site was

valued at Y4,000bn at its

land will have a good effect

on real estate investment

and economic activity," JNR

Settlement said after the

After years when transac-

tions were so few that values

bad to be imputed, the pres-

ence of 11 bidders and a sale

at almost any price might be

considered cause for celebra-

tion, but analysts were less

The bid price was in line

with their estimates, valuing

the approximately 15 bect-

ares to be sold in total at

about Y800bn, and repre-

6.5 per cent, analysts

sents an operating yield of

But they pointed out that

the absolute cost of the land

worked out at Y7.07m per

square metre, barely

changed from the estimate for similar land made by the

government's National Land

Significantly, to ensure a

sale, zoning regulations had been relaxed to allow a cov-

erage ratio - the amount of

construction permitted for a

given area of land - two to

three times greater than for

Agency in January 1996.

"We hope the disposal of

peak in 1990.

auction.

optimistic.

said.

two years. The scandal involved two firms forced into dumping bond futures to push down prices on the Sbangbai exchange, in an attempt to cover positions in excess of permitted limits. The final eight minutes of trading on February 23, 1995 saw paper with an underlying value of \$37bn change hands. The exchange authorities were forced to intervene, close the market in May and cancel the trades.

Mr Guan vanished within days of the fiasco, resurfacing two months later to

hand in his resignation. In the aftermath of the Guan of accepting Yn294,000 scandal, the China Securities' (\$35,400) in bribes and misap- Regulatory Commission, the Yn2.4m government's stockmarke watchdog, fiercely criticised between 1992 and 1994, the lax regulation by the

Mr Tang and co-campaigners were defeated, be fled the island. He travelled to Malaysia, then to

Hong Kong and London, from where be has kept up a defence in the Singapore media by talking to journalists on his mobile phone. Kuan Yew, who criticised him for attempting to portray Singapore as a "terrorist state".

Guangzhou: open for business

the couple's finances. Meanwhile, a court has served

be must set aside S\$11.2m (US\$7.9m) to meet liabilities which in the 83-member parliament. could arise from the suits against him. Mr Tang, who plans to sue many of the officials suing him, says that his total assets are worth much less than S\$11.2m.

anti-Christian. Chinese chauvinist travel documents. They explained being raised as to whether the wider interests at stake. He main-studied English at university.

ment by making efficient use of available resources, but rise further in the party hierwe also intend drastically to improve the environment," be says.

Among Mr Gao's visions is a promenade with shops and walkways which would run for some 10km along the southern bank of the Pearl

The city is building a new airport at a cost of about Yn12bn (\$1.5bn) and plans to extend the subway, construct two ring roads and add a light rail mass transit system to belp overcome traffic congestion. Plans are also afoot to

overhaul its port facilities to take advantage of its central location as transport bub for five provinces - Guangdoog, Hainan, Hunan, Jiangxi and Guangxi region, as well as the special economic zones of Shenzen and Zhuhai. Spending on infrastructure

running at Yn60bnabout a third from foreign loans. Mr Gao estimates for-

of China's fastest growing coming down and approval according to Xinhua, the Shanghai stock exchange as processes for new invest- official government news well as the two companies

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS Trade figures are given in bittons of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985-100.

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	III UN	KTED	STATI	ES		M JAP	AN					GER	MAN	7		
	Esporte	Vietale tracie hoiseça	Correct eccount butance	esch.	Ellective expt. rate	Deports	Visible trade betance	Corrent account between	Ecu exchange rate	Elective exchange rate		Exports	Veible trade believe	Corrent account belance	Ecu · exchange rate	Election tradesign
1985	279.8	-174.2	-163.0	0.7623	100.0	228.2	73.5	64.5	18D.S0	100.0	_	242.7	33.3	23.2	2.2250	100.0
1985	231.0	-140.6	-153 <i>.</i> 4	0.9836	81.4	208.9	94.2	87.2	165.11	127.7		248.5	53.5	41.8	2 1279	108.6
1987	220.2	-131.9	-144.1	1.1541	71.9	194.7	83.7	75.5	166.58	138.8		254.4	56.8	40.S	20710	174.9
1988	272.5	-100.2	-707.4	1.1833	67.0	218.7	79.8	67.0	151,51	153.7		272.S	67.4	42.4	2.0739	174.1
1988	330.2	-99.3	-94.3	1.1017	70,0	245.5	70.6	53.4	151.87	147.0		310.7	65.1	51.5	2.0681	113,3
1990	309.0	-79.3	-72.7	1,2745	66.7	220.0	50.0	28.5	183.94	132.5		324.6	51.8	38.3	2.0537	118.1
1991	340.5	-53.5	-6.0	1.2391	65.7	248.4	77.7	S7.4	166.44	143.7		327.6	11.1	~14.6	2.0480	117.1
1992	345.9	-65.2	-47.5	1.2957	64.4	256.6	96.2	86.7	164.05	150.7		330.8	16.8	-15.0	2.0480	120.6
1993	397.3	-99.7	~85.4	1.1705	66.3	300.4	116.9	112.5	130.31	181.D		325.2	30.9	-11.6		
1994	432.3	-127.0	-125.2	1.1857	65.1	325.1	121.9	110.6	120.99	194.9		360.3	37.8	~16.6	1.9337	125.3
1995	452.3	-122.8	-114.€	1.2928	61.2	331.3	101.4	85.5	121.43	204.8		404,4	45.9	-16.1	1.9198 1.8509	125.6 132.1
4th qtr.1995	117.7	-26.8	-23.6	1.2897	62.3	80.3	22.0	17.8	130.87	187.8	_	102.6	12.8	-4.8	1.8365	132.3
1st qtr.1996	121.2	-30.6	-27.7	1.2570	63.7	78.6	18.9	12.2	132.92	182.0		103.0	11.4	-2.9	1.8455	130.6
2nd qtr.1996	126.2	-32.7	-32.9	1.2362	64.8	81.7	16.1	12.2	132.90	180.8		101.5	112	-3.5	1.8821	128.2
3rd qtr.1996	122.3	-36.3	-38.0	1.2613	64.4	79.5	15.9	14.8	137.43	176.8		104.8	14.7	-5.8	1.8884	
December 1995	39.9	~8.1	na.		62.7	27.2	7.5	6.0	129.85	187.9	_	34.5	3.8	~2.5	1.8374	131.6
January 1996	39.1	-11.S	n.a.	1.2634	63.6	25,5	5.6	4.3	133,43	182.1		34.2	2.8	-2.7	1.8460	131.0
February	41.2	-9.3	v.T	1.2536	63.9	27.1	4.3	3.4	132.49	182.1		34.4	4.6	0.5	1.8377	130.8
March	41.0	-9.9	n.a.	1.2541	63.9	26.1	7.0	4.5	132.64	181.9		34.4	3.8	-0.8	1.8528	130.1
April	41.6	-10.5	n.a.	1.2421	64.3	26.5	3.7	2.8	133.12	150.7		34.2	4.2	-0.6	1.8715	129.0
May	42.8	-11.7	п.а.	1,2282	64.6	28.7	5.8	4.6	130.57	183.1		33.8	42	-1.5	1.8826	
June	41.9	-10.4	n.a.	1.2383	64.8	26.5	6.6	4.8	134.91	17B.2		33.6	2.8	-1.4		127.7
July	40.0	-12,4	n.a.	1.2563	64.6	26.7	4.5	4.7	137.21	176.8		35.4	5.4		1.8921.	127.8
August	41,3	-11.3	n.a.	1.2688	64.1	29.5	8.3	6.5	136.84	178.2		34.9	4.4	-2.8	1.8868	128.5
September	41.0	-12.6	П.а.	1.2587	64.7	25.3	S.1	3.7	138.24	175.7		34.8	4.8	-2.3 -0.8	1.8808	129.2
October	43.0	-10.1	п,а,	1.2538	65.0	27.2	5.3	3.8	140.92	172.2		35.7	4.9	-0.7	1.8957	128.3
November 1996	42.5	-10.4	n.a.	1.2706	64.4	27,9	7.5	5.8	142.63	171.8		35.8	4.9	-U.7 0.1	1.8157 1.9207	127.3 127.3
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	Esperio	Vielale trade befores	Current account belonce	Ecu each. rate	Ellective such. rate	Exports	Visible Irude Selance	Current account balance	Ecu exchange rate	Electro exchange rate	Exports	Visible trade . balance	Correct secount between	lica exchange	Effective extrinsipa rate
1985	133.4	-3.7	-0.2	6.7942	100.0	103,7	-16.0	-5.4	1443.0	100.0	132.4	-5.7			
1986	127.1	0.0	3.0	6.7946	102.7	89.4	-2.5	-1.4	1461.8	101.4	108.3	-14.2	3.8	0.5890	. 100.0
1967	128.3	-4.6	-3.7	6.9265	102.7	101.0	-7.7	-2.1	1464.3	101.1	112.3	-16.4	-1.3	0.6708	91.1
1988	141.9	-4.7	-3.4	7.0054	100.6	108.3	-8.8	-B.0	1536.8	97.7	120.9		-6.8	0.7047	. 89.3
1989	162.9	-6.3	-3.6	7.0169	99.6	127.8	-11.3	-17.0	1509.2	98.9	137.0	-32.3 -36.7	24.8	0.6643	. 94.7
1990	170.1	-7.2	-7.2	6.9202	103.8	133.6	-9.3	-18.0	1523.2	100.1	142.3		-33.3	0.6728	81.9
1991	175.4	-42	-4.9	6.9543	102.1	137.0	-10.S	-17.7	1531.3	98.7	147.7	-26.3	~26.2	0.7150	89.8
1992	182.5	4.5	2.8	6.8420	105.4	137.9	-8.0	-21.5	1591.5	95.6		-14.7	-11.4	0.7002	90.5
1993	179.5	13.3	9.0	6.6281	109.1	144.8	18.1	9.7	1836.7	80.5	145.9	-17.8	-13.8	0.7359	87.1
1994	198.8	12.9	5.4	6.5659	110.1	191.4	19.8	13.1	1908.6	77.0	156.0	-17.2	-13.9	0.7780	79.9
1995	222.1	15.9	12.4	6.4460	113.4	179.8	22.0	20.1	2106.4	69.4	174.1 186.0	-14.0 -14.2	-3.1	0.7736	80.1
4th atr.1995	56.2	42	2.4	6.3560	114.3	49.3							<u>-4.8</u>	0.9190	76.2
1st qtr.1996	58.0	4.7	6.1	6.3281	113.8	47.8	6.0	5.0	2061.0	70.4	47.4	-3.8	-1.4	0.8267	75.0
2nd atr.1996	56.2	3.8	3.2	6.3772	113.4		4.8	-1.2	1976.7	73.2	49.3	-4.4	-1.3	0.8208	75.0
3rd qtr.1996	58.2	5.1	3.8	9.4242	113.2	S1.6	9.8	10.7	1922,3	75.9	· S1.0	-4.0	0.1	0.8113	76.1
		<b>3.</b> I	3.0			47.9	11.3	<b>A.</b> 8	1918.4	76.7	S1.1	-4.0	-0.2	0.8113	76.8
December 1995	19.7	1,1	0.5	8.3269	114.4	19.9	1.9	2.0	2033,8	71.1	1S.7	-1.3	n.a.	0.8285	74.5
January 1996	19.2	1.3	2.5	5.3221	114.4	13.6	0.1	-1.1	2001.4	72.4	19.2	-1.8	71.8.	0.8254	74.8
February	18.9	1.8	1.7	6.3169	113.7	16.3	2.1	1.2	1969.8	73.3	18.4	-1.7	n.a.	0.8159	75.3
March	19.9	1.8	2.0	6.3434	113.7	16.0	2.7	-1.3	1959,1	74.0	16.7	-1.1	n.a.	0.8212	7S.0
April	18.5	0.5	0.9	8.3489	113.9	16.2	2.3	2.4	1944.8	74.8	18.7	-1.6	п.а.	D.8201	75.2
May	19.3	1.8	1.2	8.3707	113.3	18.1	3.9	4.0	1812.2	78.2	17.2	-1.3	n.a.	0.8106	76.0
June	1S.S	1.5	1.5	5.4121	113.0	17.4	3.7	4.3	1909.8	76.9	17.0	-1.1	п.а.	0.8031	77.2
July	19.1	1.5	0.0	6.3965	113.7	19.7	6.3	2.7	1918.1	76.6	17.1	-1.8	n.a.	0.8085	77.0
August	19.6	2.0	1.6	6.4231	113.2	11.9	3.5	5.4	1923.8	76.4	19.8	-0.8	n.a.	0.8185	78.1
September	19.5	1.5	2.2	6.4532	112.8	16.0	1.5	0.7	1913.2	77.0	17.2	-1.5	n.a.	0.8070	77.4
October	20.2	2.9	2.1	6.4770	112.8	19.1	4.0	1,3	1911.4	77.5	18.2	-0.9	· n.a.	0.7904	79.4
November 1996	19.7	1.5		6.5001	112.9			1.6	1922.6	77.2	19.2	-1.3	n.a.	0.7642	82.6

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compling trade start to tasket series and the German current account, imports can be derived by subtracting the visible trade balance from a free on board) basis, except for German and fatient imports which use the CIF method (including carriage, insurance an 1990, shown in hairs, refer to the former West Germany. The nominal effective exchange rates are period averages of 8 balanceman and WEFA from netonal government and central bank sources.

## Chinese city driven by Pearl River vision Guangzhou is vying with rivals for foreign investment, writes Tony Walker

tures towards the murky waters of the Pearl River, and says he aims to transform the area so that it becomes "more beautiful" than the Rhine or the Seine.

It takes a leap of faith to accept Mr Gao's vision splendid of the Pearl River waterfront with its decaying godowns (warehouses) and mildewed tenements. But behind his remarks lies a story of intense competition among China's cities to be Number One.

Guangzbou (population 6.4ml was the first city to open for business after Mr Deng Xiaoping, China's veteran leader, launched his campaign of "reform and opening" in 1978, becoming virtually a "city state" and overshadowing the commercial hubs of Shanghai and Tianjin to the north.

As capital of Guangdong, China's most dynamic province during the early reform period. Guangzhou reaped the rewards of investment from nelghbouring Hong Kong. Its economic developishing rates of growth, but such places as Sbangbai, Tianjin and Dallan bas jin. brought Guangzhou back to

you for only...

rates of growth or its ability after Shanghai, handling a to attract foreign investors. imports and exports, Mr Tang Yue Cai, director

of Guangzhou's Commission for Foreign Economic Relations and Trade, notes that growth in gross domestic product bas averaged 14.8 per cent since 1978, well above the national average of about 10 per cent. Per capita GDP at \$2,333 is

the highest in the country behind Shanghai and Tian-

It is China's third biggest consumer market and the by increasingly prosperous Not that its leadership can country's second most consumers in Gbina's complain about continuing important transport bub southern regions.

sixth of the country'a It bas attracted some

GUANGDONG PROVINCE

investment, with \$11bn utilised. This puts it third behind Shanghai and Shenzhen, the special economic zone next door to Hong Hong Kong investors in the early 1980s poured funds

\$34.7bn in pledged foreign

ment zones achieved aston- and the size of Guangzhou's into processing enterprises economy - GDP reached and later into real estate, but increasing competition for \$14.9bn in 1995 - ranks it the high tide of Hong Kong foreign investment from third among Chinese cities, investment has receded and the Japanese. Americans city's development after the continuing strong inflow of their presence felt, attracted strive to improve citizens'

Such companies as Procter and Gamble and Golgate have set up manufacturing operations in Guangzhou, with ambitlous expansion

was a lot of investment in real estate, including hotels and high-rise apartment Yn70bn (\$7.2bn-\$8.4bn), a most investment has been in manufacturing"

vision, which is to steady the "quality of life".

"Three years ago, there

buildings," said Mr Tang, year, financed partly by the "but in the past year or so municipality from taxes and This trend fits in with eign borrowings are running party secretary Gao Siren's at about \$2bn a year.

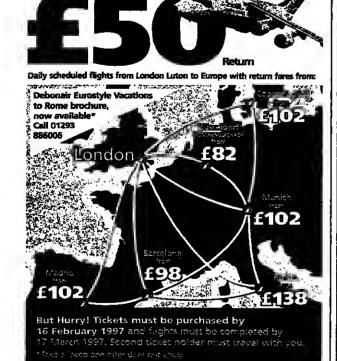
and Europeans are making mad rush of the 1980s and foreign investment is critical We want to achieve sus- cities. and one becoming tainable economic develop- more like Hong Kong.

But be recognises that to Guangzhou remaining one

but said that "overall competition is good for Ghina's development".

It is also good for investors. Land prices in Guangzbou's economic zones are ment have been speeded up. agency. Mr Guan had been involved in the price-rigging:

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ASIA-PACIFIC NEWS DIGEST

# in sharp upturn

Hong Kong's economy, which went through a sluggisb period from 1994, rebounded sharply in the third quarter of last year, government statistics showed yesterday. Expenditure-based gross domestic product grew by 5.1 per cent in real terms compared with the same period in 1995.

Last September the government cut its economic growth forecast from 5 per cent to 4.7 per cent. Crowth in the first two quarters of the year was 3.3 per cent and 4.6

Merchandise exports, the main engine of Hong Kong's economic growth, have been growing at a slower rate than witoessed in the past decade, but trade in services has been growing sharply. Export of services increased by 7.1 per cent in real terms in the third quarter of last year. on a year-on-year basis. Louise Lucas. Hong Kong

#### Australian banker charged

Mr Simon Hannes, the 36-year-old investment banking executive charged in connection with beavy trading in TNT call options shortly before an A\$2bn (US\$1.5bn) bid by Holland's KPN was announced last year, made a brief court appearance yesterday, with the prosecution adding an additional charge.

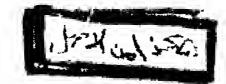
The TNT options were bought in the name of a Mr Mark Booth, who has not be identified, and generated a profit of around A\$2m. Shortly after the bid was announced, the Australian Securities Commission froze the proceeds and in January charged Mr Hannes, who worked for Sydney-based Macquarie Bank, under the Financial Transaction Reports Act. Lawyers for Mr Hannes told the court be intended to plead not guilty. Nikki Tait, Sydney

#### Defence minister Qin dies

China's former defence minister, Qin Jiwei, who belped orchestrate the military crackdown on pro-democracy demonstrators in 1989, has died aged 82. A close associate of paramount leader Deng Xiaoping, Qin died early on Sunday, the People's Daily said yesterday. Reuter, Beijing

#### Canberra meeting on republic

Australia's conservative federal government is expected to put its plans for dealing with the "republic issue" wbether Australia should cut its constitutional ties to the British monarchy - to a meeting of government MPs in Canberra today. Support for replacing the British monarch by an Australian head of state has been growing, and most opinion polls show a majority of Australians now favour this. Nikki Tait, Sydney



TUESDAY FEBRUAR

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MANCE OF PAYMENTS

#### **NEWS:** THE AMERICAS

# re face US incomes jump and sala at end of 1996

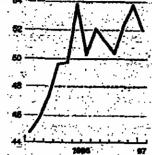
By Gerard Baker in Washington

Americans' personal income rose sharply at the end of last year, as employment and wages continued to grow in a generally warm economic climate, according to a range of reports published yesterday.

Personal income rose by 0.8 per cent in December, compared with a month earlier, the fastest rate of increase for six months, the Commerce Department reported. But anecdotal indications of a disappointing pre-Christmas shopping season were borne out by evidence that personal spending rose by a more sluggish

200 0.5 per cent in the month. In 1996 as a whole, earnings rose by 5.5 per cent, down from 1995's 6.3 per cent rate. Spending rose by 4.6 per cent against 4.8 per cent a year earlier. inflation-adjusted personal disposable income grew by 2.9 per cent (after tax) in 1996, down

from 3.5 per cent in 1995. Other figures published yesterday suggested growth



maintained its generally upward momentum. Construction spending fell in December by 0.7 per cent from a month earlier, the Commerce Department said. But the decline followed several months of strong growth, and was largely the result of poor weather in many western states. For the whole of 1996, construction

se in 1995. The pace of growth of manufacturing activity slowed slightly at the turn of decelerated elightly in Janu-

outlays increased by 4 per

cent, against a 3 per cent

a firmly upward course. according to a survey by the National Association of Purchaeing Managers. The NAPM's index of manufocturing activity dipped to 52 in January from 53.8 in

> which marks the index'e break-even point between further evidence that price pressures are edging up. The index of prices paid by purchasing managers rose for

month, for the first time in a

fortably above the 50 level

Overall, the reports suggest the rapid pace of growth of the economy in the last three months of last year is slowing, but remains strong. Last week, figures showed a 4.7 per cent annual rate in tor should control \$24bn of the final quarter of 1996.

this year is expected to persuade the Federal Reserve to leave short-term interest rstes unchanged when its open market committee meets today and tomorrow the year, but the economy ary, but output remained on to review monetary policy.

By Christopher Parkes in Los Angeles The Queen Mary, the former

Cunard flagship and for the past 30 years the dry-docked centrepiece of Long Beach's bopes of building e tourist industry, may soon sail

A "Grand Tour" plan to lady with pontoons and tow her from California for e five-year sojourn entertainearly next week.

while she is away, and a homecoming in time for the opening of a multi-million- right for \$22m.

dollar bayside entertainment and retailing complex.

have Japanese partners willing to fund the renovation, which will include installing and refurbishing the botel surround the city-owned old wbicb occupies part of its lower deck space.

payers, \$5m-a-year rent old Queen's present berth.

ing and air conditioning systems - all between 30 and Mr Prevratil also wants an

As an alternative, be bas offered to buy the vessel out-

Tokyo calls Queen Mary

Mr Joseph Prevratil, president of Queen's Seeport Development (QSDI), the ship's operator, claims to The ship's plumbing, wir a casino in the grand saloon

option to extend QSDTe curing Japanesa tourists in rent 20-year lease by 46 name, and an operating con-The lure is an offer of a tract for a epecial events \$40m refit at no cost to tax- park to be built close to the

Tokyo Bay is to be consid- years, expanded branding ered by the city council and licensing rights to the

can workers. December, but was still com-

The report also provided the second consecutive

year and a half. the wbole economy grew at

A elower forecast pace of growth for the first half of

QSDI'a public offer to a cash-starved city, recently hit by a succession of aerospace industry and military base closures, may prove difficult if not impossible to

60 years old - are in need of urgent repair. We can nickel and dime it to desth for the rest of our lives." said one company official. "But the Grand Tour is one way of doing the job

properly in one coup. However, some local residents are aghast at the prospect of the loss of the city's only internationally known tourist attraction and fear that the liner might never

# Private pension funds out to lure Mexicans

opular capitalism has tury and a half of debt crimany administrators as doc-arrived in Mexico. So, ses. The fall in the country's tors on its payroll. ettract the social security contributions of 10m Mexi-

As of vesterday Mexicans can for the first time sign up with private pension fund administrators, bypassing the IMSS, the buge and notoriously inefficient state oper-

The government authorised the first batch of private fund administrators, or Afores, last week. Consortia members include Citibank. ING of the Netherlands, AIG of the US. Provida of Chile and most of Mexico's leading banks. The Afores will begin managing pension contributions in July; by the end of the century Salomon Brothers estimates, the sec-

The government says the reform will strengthen and deepen Mexico's financial markets, increase the national savings rate and diminish reliance on foreign capital. But some fear that the benefits of the reform may be reduced by transitional costs in coming years.

Under the terms of the reform, about 11 per cent of workers' salaries will be entrusted to the Afores. At present, state pension contributions go to the IMSS. which uses part of the funds to subsidise the health services it also provides. By 2001, all private sector workers must have chosen an Afore to look after their pension contributions.

"This is a major step forward. Now contributors can be sure that they will get their pensions," says Mr Fernando Solfs, the bead of the Consar, the government body supervising the fund administrators. "The reform will allow many workers to participate in financial markets for the first time, as well as providing the long-term funding the country has not had before."

at least, hope the 12 saving rate to just 16 per financial groups which have cent of gross domestic prodbegun an advertising blitz to uct in 1994, the year of the country's traumatic peso devaluation, made it all the more reliant on short-term foreign capital. The creation

> long-term, is designed to rectify this. Under the new scheme workers will receive at least the equivalent of the minimum state pension when they retire, even though there will be no minimum return guaranteed on the

funds invested. Such guaran-

tees unduly constrained

Reform is meant to lessen reliance on foreign capital, **Daniel Dombey** 

reports

fund administrators in other countries, such as Chile, Mr Solis says. The Afores will be permitted to invest in stocks. as well as government paper. from the outset, though the specific rules governing investments bave not yet been released.

However, there have been problems. The reforms were to have taken effect on January 1 this year, but were pashed back to July. The government says this allowed the updating of population data, but it also halved the cost of the transition this year. Even with only six months of operation, the reforms are expected to be responsible for a budget deficit equivalent to

0.5 per cent of GDP for 1997. As long as the IMSS remains in its present form. the net effect of the reforms on savings may be negligible. Since pensions will now be invested rather than going to the IMSS coffers. the government will have to Mexico has traditionally fill the funding gap for the lacked strong internal finan- IMSS, which recently cing - as attested by a cen- reported that it had twice as

Last week, the government announced it would increase its payments to the IMSS eightfold this year, to 21bn pesos (\$2.7bn), to pay the pensions of current retirees and to make up for the of a large pool of Mexican subsidy on medical costs. money, to be invested The amount is expected to double in 1996, the first full year of the new system, and will become twice as much again in real terms in 20

> The institution also runs one of the biggest chains of retail stores in Mexico, as well as funeral agencies and a baseball ground. One official has complained that at an IMSS-run spa outside Mexico City, the staff-visitor ratio compares with the opu-

> lent Four Seasons hotel. The IMSS will also be able to run its own Afore, a concession won by opponents of the reform, Although the IMSS Afore has not yet been authorised, approval is expected in the next few weeks. In addition, the IMSS will be responsible for a large part of the administration of the system as a wbole.

> "It is like getting the fox to guard the bens," says Mr Sebastian Edwards, former chief Latin American econo mist at the World Bank, "The IMSS won't give up its pension contributions eas-

> The other Afores have begun their campaigns aggressively. Advertisements from the rival administrators have jostled one another on the airwaves and in the nation's newspapers.

> We are out there fighting to build relationships with Mexico's workers that will last 30, 40, 50 years," says Mr Reinato Gazmuri, a veteran of Chile's pioneering social reform and an adviser to the Afore run by Banamex, Mexico's biggest bank.

The whole campaign will have at least one short-term. effect. Mexico's battered media industry expects more than \$70m in advertising revenues this year from the battle for the nation's penAMERICAN NEWS DIGEST

## No deal with Peru rebels

Peru's President Alberto Fulimori, fresh from an emergency weekend summit with Mr Ryutaro Hashimoto, the Japanese prime minister, met US President Bill Clinton yesterday to discuss the handling of the hostage crisis in Lima

Neither side gave details of the discussion, but before the meeting Mr Fujimori dismissed suggestions of any peace accord with Marxist guerrillas who have held hostages at the Japanese ambassador'e residence in Lima

since December 17. "Peru has paid too high a cost to impose law and order... to throw it all overboard and give in to the extortion of a gaggle of buman rights violators," Mr ujimori told the Organisation of American States.

Referring to the Tupac Amaru Revolutionary Movement rebels, who are bolding 72 bostages in Peru and demanding the release of jailed comrades, Mr Fujimori added: "There are no guerrillas or popular armies in Peru there is only a people tired of living in poverty and violence, a people who want to work and get ahead in Reuter Washington

#### Cuban dissident detained

Cuban authorities have detained a dissident, Mr Hector Palacios Rulz, for criticising the government's buman rights record to foreigners. Amnesty International said in a statement received in Miami yesterday.

Mr Palacios, head of the illegal Democratic Solidarity party, was arrested on January 9 and taken to the Technical Investigations Department in Havana, the London-based buman rights group said. "He is reportedly being held in a cell with no light or ventilation," Amnest International added.

No official reason was been given for Mr Palacios' arrest. But Amnesty quoted unofficial sources as saving he had been charged with "disrespect" for allegedly making statements to correspondents and writing to governments about declarations made by President Fidel Castro at the Ibero-American Summit in Chile last Editorial comment, Page 17

Guatemala telecom sell-off

The Guatemalan government plans to sell 95 per cent of the state-owned telecommunications operator Guatel in mid-July, reversing its earlier cautious approach to the sale. A big investment bank will be selected this month to draw up the technical details.

The government bad included an estimated \$200m from the prospective sale of 30 per cent of Guatel in the 1997 national budget. Local analysts say the decision to push for a more radical option is prompted by the government's urgent need for cash to alleviate its debt

Guatel holds a monopoly in basic telecoms services, and privatisation is unlikely to face any serious public opposition. The industry's unions have also accepted its inevitability, encouraged by the offer of the remaining 5

per cent of Guatel shares. National line density barely tops 4 per cent; 80 per cent of lines are in the capital and there are over 400,000 potential clients on a waiting list for installations.

However, the legal reforms the government must push through for the sale to go ahead could face opposition in Johanna Tuckman, Guatemala City



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For more information contact Barry Dalton at Nera Telecommunications. Tel: +44 (0)1582 491149. Fax: +44 (0)1582 581873.



Mr Andrew Buxton, chair man of Britain's Barciays Bank, and Mr Ken Whipple, presideot of Ford Financial Services of the US, yesterday released a statement of sbared objectives. These

• The right to establish and operate competitively. Foreign investors should have the same access to domestic markets as domes

 Barriers to the posting of personnel should be reduced. Restrictions on cross-bor-

Mr Buxton and Mr Whipple, who bead two of the world's blggest financial aervices groups said there had been hardly any input from the private sector when the issue was last discussed in 1995. The negotiations stalled then because the US felt developing countries were not prepared to make enough concessions.

A group of industry leaders hegan discussing the issue last year. They are supported by the US Coalition of Services Industries, Britisb Invisibles, the European Banking Federation and the European Insurance Committee.

The next round of financial services negotiations at and while it is up to the governments to negotiate the agreement, the private sector is intent on making its voice beard this time.

Yesterday's statement said liberalisation of financial services was vital to boost global growth, it called for a WTO financial services deal

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Companies are getting wired but can they turn the marketing potential into profits?

# Internet: holy grail or fool's gold?

ben Procter & Gamble, the US consumer products company which many believe invented modern marketing, admits it is looking to Greenpeace for tips on selling nappies to young mothers, you know

WØRLD ECONOMIC **FORUM** 

by Mr Harald Einsman, bead of P&G in Europe, at a session of the World Economic Forum in Dayos on the commercial opportunities offered by the growth on the Internet of "virtual communities", real-time networks linking groups of people with shared interests.

Mr Einsman said that by enabling companies to communicate directly with consumers, virtual communities promised to cut distribution costs, provide much more detailed information ebout individuals' needs and purchasing patterns and allow manufacturers to strengthen brand loyalty.



NO DOUBTS: Microsoft chairman Bill Gates in Davos. He bas done much to make the Internet THE 1990s buzzword

need radically to change stuhhorn staina out of ing out information and advertising to mass consumer markets, they would need to rely on consumers to volunteer personal information about themselves. Although P&G was

experimenting with web sites, where consumers However, to reap these could seek advice about

their traditional approach to clothes, it still had much to marketing. Instead of pumpiearn. "We are far from being experts. We are heginners ourselves," Mr Einsman said. The essential trick was to

make the information and services provided on web sites so compelling that consumers would flock to One way for companies to them, enabling companies to achieve trust was to establish direct Internet guarantee that they would Such bonesty was e contact. On this point, Mr never re-sell the personal welcome gust of fresh air in

admiration for Greenpeace's successful web site.

business cresting virtual internet communities, is sceptical of Procter and Drobably using Gamble's approach. He suggested P&G was still a the Internet to hostsge to old-style communicate marketing philosophies. Most people, be said, With thought of themselves primarily as consumers and would resist overtures from companies which treated them as easy targets for a But if it's really hard sell. The Internet was aimply

another wey to establish personal relationships, not an electronic substitute for them, be said. "People in virtual communities are not there to huy goods and services. communicate with other human beings. Any husiness which thinks a community is just a market place will quickly be dead."

As Mr John Hagei of McKinsey, the management consultancy, stressed, consumers would only he willing to part with details about themselves if they really trusted companies.

'It's a splendid Mr Howard Rheingold, a hysteria...Most mother-in-law

in Nebraska. urgent, we will use a phone or send a fax'

information they gathered. That, the speakers agreed, could give e big advantage to long-established consumer companies such as P&G, whose brand strength was based on consumer trust. But even then, it was far from sure that the apparently boundless marketing potential of virtual communities would translate into profit. "Nobody knows if anyone will ever make a profit from it," Mr Rheingoid said.

visionary exhortations of how the Internet would change the world, propounded by assorted gurus, techno-nerds and sharp-suited consultants on

the prowl for a fast buck. But for sheer iconoclasm, nothing could mstcb tbe brosdside on the glorification of the Internet launched, to cbuckles and applause, by Mr John Strickland, chairman of Hong Kong and Sbanghai Banking Corporation, Hong

"It's a splendid hysteria that'e driving us all to believe we must be part of it all. Because we don't really know why we are doing it. we have to pay a king's ransom to consultants to tell us how to do it," he said.

Compenies everywhere meking investments to instel Internet-based information systems, but were getting few commercial advantages in return. "But where do we end up? Most of us are probably using the Internet to communicate with mother-In-law in Nebraska. But if our husiness is reelly urgent, we use phone or send a fax."

Guy de Jonquières

# on the Internet block

How far should the Internet be censored?

The debate on the issue at Davos pitted liberal westerners against opponents from countries as diverse as Singapore, Egypt and Iran.

From the western viewpoint, international egreement on policing the Interundesirable. Mr Uffe Ellemann-Jensen. Denmerk'a foreign minister, seid: "Whenever you want to set rules to stop the free flow of informetion, you must ask yourself what is possible. The usual answer from politicians is we need international rules. I say, forget it. it won't happen.

Mr Mohammed Lasijani, an MP in the Iranian parlia-ment and a Berkeley-trained mathematics professor, smelt s plot. "In the west", be said. "the issue is sometimes bow to globalise liberalism: bow to export an ideology. I am not e liberal, and I do not believe liberalism is the only way to e decent

The Tehran parliament, he said, was currently debating wbether to permit the Internet. The problem was one of information pollution. "This is the kind thet comes with information, just as industrial poliution comes with

Ms Chan Heng Chee, Singepore's ambassador to the US, says governments cannot escape their responsibility to their own people. Singapore, she seid, had the explicit goal of giving every home access to the Internet hy 1998. But the free flow of information could not be placed above the values of that society.

Thus, Singapore bad adopted the policy of compulsory licences for web sites, as a means of blocking racist or pornographic material. "The Internet is like e city, with good and had parts to visit," she said.

Tony Jackson

# Professor Machine, we welcome you to Davos

Intelligent machines are evolving more rapidly than humans, but can they overtake us?

education at Harvard University. said "machines are evolving much more rapidly than humans". However, the panel of distin-

the question "What is intelli-William Hall geoce?", were not prepared to pre-

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intelligence could eventually such as Hamlet, was still the stuff

grammed to match certain types of rose, professor of mathematics at the University of Oxford, said there were strong arguments that certain types of thinking cannot be repli-

into what the universe is all

ow long will it be before dict that advances in artificial about," to understand the subject, cision of the term. Some scientists the first machine is invited intelligence could eventually said Sir Roger, defined the ultimate goal of artifi-

University of Michigan, would not

machine had been built to play play different kinds of intelligence. checkers. It started knowing nothing about the game, but learned the rules and by the end of its life was winning tournaments.

One of the problems in any dis-cussion of intelligence is the impre-

"machine that can be proud of us". Others just defined it as "anything that machines could not do five

definitive measure of intelligence yet different people appear to dis-Arthur D. Little, the US consultancy firm, recently conducted a study of two groups. One was composed of seven people with aboveaverage IQs. The second group all

The two teams were set identical problems which they had to solve as a group. The below-everage group came out ahead, but the ahove-average group subsequently

Meanwhile, studies of ants show that while the average ant's lack of intelligence means its life expectancy is only a couple of days, e colony of ants can last for dozens of years. This raises the question of whether an organisation can be collectively more intelligent than

William Hall

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for the sale of 55,040 DMT gold bearing pyrite concentrate with a gold content of approx, 22.7 g.p.t. Interested parties are hereby invited to submit binding offers, not later than Monday Merch 3rd, 1997, 12.00 hours to the Athens Notary Public Mrs. Joanna Gavrieli -Anegnostalaki, 18 Fidiou Street, Athens Tel.: +30-1-38.19.728, fax: +30-1-38.25.191. These should be accompenied by a Letter of Guarantee issued in accordance with the sample Letter of Guarantee contained in the Offering Memorandum, by e bank legally operating in Greece, to remain valid until the adjudication, for the amount of DRS., TWENTY MILLION (20,000,000.-) Binding offers together with the Letters of Guarantee shall be submitted in sealed opaque

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#### match buman intelligence. The By contrast. Mr John Holland, cial intelligence as producing e idea of a computer ever being able professor of psychology, computer to write a Shakespearean tragedy services and engineering at the

to attend the Davos forum in a personal capacity? Judging hy the comments of some of the scientists attending this week's meeting. recent advances in artificial intelligence mean that it may not be too

guished scientists grappling with

of science fiction. While machines can he pro-

Mr Howard Gardner, professor of buman intelligence, Sir Roger Pencated by machines.

"We must dig much more deeply

rule out the eventual possibility years ago".
that e machine would be produced IQ is widely accepted as the that e machine would be produced with the capacity to be self-aware. He noted that 50 years ago, a

had below-average IQs.

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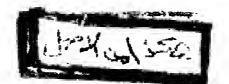
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Critics say airline aims to increase capacity at Heathrow for transatlantic flights

# BA warned over switching runway slots

By George Perker, Political Correspondent

British Airways was warned attracting inward investment. yesterday that any moves to release runway slots at London'a to switch its service from Heath-Heathrow Airport by switching row to Plymouth and Newquay domestic services to Gatwick in south-west England - to Gatwould be fiercely resisted by an wick, to the dismay of the southincoming Labour government. Opinion polls suggest that Labour, the largest opposition party, will win the general election expected in May.

chief transport spokesman, said he was prepared to use powers under European Union regulations to pro-

he discovery of seri-

crossings over the River

Thames highlights the

crumbling state of much of

the capital's transport infra-

structure. It is illustrated

3km elevated section of the

M4 motorway between the

centre of the capital and

The 108-year-old Hammer-

smith Bridge was closed to

private cars and trucks on

Sunday to allow for an

emergency Investigation of

damaged girders and bear-

ings. On Saturday engineers

will begin removing a cor-

roded support section to

assess the extent of damage

by road salts to the 30-year

The bridge, which por-

mally carries 30,000 private

vehicles a day, could be shut

for up to two years; the

old elevated motorway.

Heathrow airport.

further by repair work on a five months.

UK flights because of their importance to local economies and in

BA has already announced plans western business community. Critics say BA plans to use the slots to increase services to the US. BA is under fire from rivals over its planned alliance with Amerlean Mr Andrew Smith, the party's Airlines. The alliance would control more than 60 per cent of UK-US traffic.

Sir George Young, chief trans-

ous damage to one of London's hasy road cossings over the road

London First, a business

lobby group, believes that

hetter value could he obtained from the capital's

transport spending if repairs

and new construction were

hetter planned. Such husi-

don's reputation interna-

tionally, yet hudgets are still being reduced.

the fragmented management

of road, rail and London

Underground links in the

cult fourneys. They also say

capital makes for more diffi-

Prime London routes crumble

capital's international reputation

flows of 109,000 vehicles, in allocating funds for trans-

faces weekend and over-night closures for at least annual, if not more fre-

ness groups also believe that or poorly sited direction

deteriorating transport signs on London's main

links could damage Lon- roads, announced in June

Proponents of a single drivers' time, business costs

transport authority say that and reduced accidents.

quent, changes in official

priorities - mean that what

money there is cannot be

inacenrate, illegible

1995, was shelved 13 months

later in splte of projections

that it would save £300m in

Travel on the Under-

ground rallway has also

become more time-consnm-

£17m (\$27m) scheme

to replace 10,000

spent sensibly.

port minister, rejected requests flights to Heathrow because it doesn't mean we won't have any Conservativa party to use his powers to "ringfence" the Heathrow slots for the south-west service, as

permitted by the EU regulations.

But Mr Smith said: "Air links with the south-west and other parts of the UK are crucial for regional economies and inward investment. Labour would be prepared in government to ringience slots where it was necessary to safeguard essential regional serto Gatwick."

ily," said Ms Karin Parnaby,

managing director of Career

Design. an employment

agency based in the City of

ondon. "People used to be

able to go for an interview

on their way to work or in

their lunch hour but now

they have to take half a day

A £700m reduction in gov-

ernment funding for the

Underground over the next

three years will force it to

delay long overdue spending

on improving signalling.

stations and track on sev-

eral lines. London Trans-

port's hoard will decide

later this month on the

A city as hig as Londoo

provides many travel alter-

natives bot the limits are

heing reached. The Black-

wall tunnel under the

closed last November after a

extent of the cuts.

from local MPs in the governing offers a far wider range of connections to other services than those offered at Gatwick.

**NEWS: UK** 

BA said Brymon, a wholly-owned BA subsidiary, was moving its service to Gatwick because Heathrow was full, with new entrants to the to economic development". airport being given priority in the allocation of take-off and landing alots. BA said it would use the slots for a variety of long-haul and short-haul routes.

BA denied last night that it had vices, which should be at any immediate plans to move Heathrow rather than shoved out flights to other regional centres from Heathrow to Gatwick. The Regional business leaders value airline added, however: "That

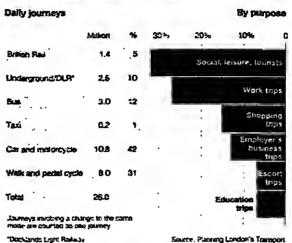
plans in five or 10 years' time,"

The transport minister has now ers under an EU directive to protect regional services where there is only one carrier on the route and where the service is seen as "vital

Brymon's services to the south-west are due to be switched to Gatwick on March 30, almost certainly before a general election.

Sir George told MPs in the south-west that he would not exercise his powers to maintain the Brymon service at Heathrow because that would "distort the market".

How London keeps moving



Source, Planning London's Transport

in large areas of east bridges - although the scale

This led to the setting up of a joint committee of riverside districts to avoid simi- This is a step towards Thames to the east had to be lar confusion. Their engineers now discuss planned closures and bid jointly for motorway, with daily traffic that government parsimony to get across London eas- entrance, causing gridlock funds to maintain their

of the problems with

Hammersmith Bridge came as a surprise to officials. greater co-ordination, but more needs to be done.

Charles Batchelor

#### Anglo-French IT group buys rail ticket company per share. BRBS employs 1,100 peo- nant of the former state railway

"It has become so difficult truck became jammed in the

By Charles Batchelor. **Transport Correspondent** 

Sema Group, an Anglo-French information technology concern, has paid £27m (\$43.7m) for BR Business Systems, which manages ticket sales and timetables for the UK national rail network. Sema, which was declared preferred bidder for BRBS last month, plans to apply the UK company's expertise to other rail contracts around the

world. Sema, listed on the London stock market, said it would meet the acquisition cost of BRBS from its own resources. BRBS had turnover in 1995-96 of £87m.

No details of profits were given, but Sema said the deal

ple. Sema said it was also hidding network, also announced yesterday to take over the management systems of the Romanian, Bulgarian and Brazilian rallways. It already provides computer services to the French, Dutch and Spanish railways. The company is 41 per Banque Paribas.

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nalling, telecommunications and trackwork, has been bought by its management and employees with the backing of the Unipart group of companies.

that National Railway Supplies,

businesses, many of which have been hidden inside BR but are expected to play an important part which provides equipment for sigin the development of the privatised railway.

Unipart, which has also put in a bid for Railpart, British Rail's supplier of rolling stock spares, will take a 49 per cent stake in NRS's equity. Debt finance will be provided by Royal Bank of Scotland.

UK NEWS DIGEST

## \$81m weapons order cancelled

The Ministry of Defence has cancelled an order for an electronic warfare system from Siemens Plessey, the electronics company, after £50m (\$81m) had been spent on its development. The ministry is refusing to disclose the total value of the contract for production of the system, and the department is considering suing Siemens Plessey. The system, called Vixen, was designed to pin-point and interpret enemy battlefield communications, but it was more than five years late and failed to come up to scratch in a final trial held by the British Army last November.

Mr David Clark, the Labour party's chief defence spokesman, said that the cancellation was "just another fiasco". Mr James Arbuthnot, the defence procurement minister, said that Vixen had been cancelled because the system was several years behind schedule, and that there was little prospect of the company rectifying the problems without further delay and expense.

III NORTHERN IRELAND

#### Peace process 'needs a de Klerk'

Mr Martin McGuinness, chief negotiator with Sinn Féin, the political wing of the Irish Republican Army, said British politics needed to produce "an F.W. de Klerk" to advance the cause of peace in Northern Ireland. Asked on TV whom he would like to win the coming UK general election, he said: "I auppose that I am very much Labour minded at heart." Sinn Féin was looking for a strong British government with a strong majority, he said. "What we're looking for is a de Klerk type figure to step out of the doors of 10 Downing Street . . . John Major [the UK prime minister] hasn't shown himself to be an F.W. de Klerk (the former South African president who paved way for majority rulel.

■ NUCLEAR DUMPING Irish threaten EU court action

The government of the Republic of Ireland warned vesterday that it might take action in the European Court of Justice if the British government failed to block an under ground nuclear waste dump. The UK Inspectorate of Pollution recently warned that the dump planned at the Sellafield complex in north-west England might leak radioactivity into the Irish Sea.

Mr Emmet Stagg, Ireland's minister of state at the Department of Energy, said that "all new information" which had emerged since a public inquiry into the project last year, would be submitted to the Irish attorney general's office in preparation for a possible suit in the Euro-John Murray Brown, Dublin pean court.

TV SUBSCRIPTIONS Revenue 'to rise by 275%'

Television subscription revenues in Britain will overtake those from advertising before 2001, reaching a total of £3.5bn a year, an increase of 275 per cent, according to a study published yesterday. Datamonitor Europe, the independent consultant, believes the push will come from the aunch of a 200-channel service by British Sky Broadcasting before the end of this year and the likelihood of additional pay television services from digital terrestrial television. Raymond Snoddy

#### cent owned by France Télécom and That sale and the Sema deal con-British Rail, the surviving rem- tinue the sale of BR's specialist rail would be positive for its earnings

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#### **CONTRACTS & TENDERS**

#### THAMES VALLEY POLICE AUTHORITY

1. The Tharnes Valley Police Authority has placed a tender notice in the Official Journal of the European Communities to invite applicants to be considered, under the private finance initiative, to design, build, finance and operate a police station, area headquarters and traffic vehicle base (including garaging and stores). The building(s) shall need to house approx. 280 people and be in the order of 3,800m2 (plus 300m2 for garaging and stores).

2. The closing date for interst shall be 12.00 noon, 24 February

Applicants will be forwarded a pre-qualification pack, including questionaire which will require information with regard to financial accounts, experience of similar projects, likely consortium partners (where appropriate) and an indication of the applicant's approach to this PRI project.

4. Applicants will be required to fully and satisfactorily complete the questionaire. The deadline for completion and return of the questionaire will be 12.00 noon, 14 March 1997.

5. A copy of the tender ontice may be obtained on application to Force Supplies Officer, Thames Valley Police Authority, Police Headquarters, Oxford Road, Kidlington, Oxford, OX5 2NX. Tel: ++ 44.1865.855750

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#### NEWS: UK

Judge criticises Binder Hamlyn and Flemings for 'less than strenuous guidance'

# Ex-MTM chief jailed for fraud

Law Courts Correspondent

Mr Richard Lines, the former chairman of MTM. the chemical manufacturer which collapsed in 1992 owing £250m (\$405m), was statements. Mr Baxter was yesterday jailed for two years following his conviction for fraudulently ramping the company's profits and deceiving the markets about its financial health.

MTM's former finance director, Mr Thomas Baxter, was sentenced by e London judge to six months imprisonment for his part in the fraud.

But Judge Geoffrey Grigson also criticised MTM's accountants, BDO Binder Hamlyn, and its merchant bank, Robert Fleming, over their roles in advising the company. He told Mr Lines he had been ultimately

your City advisers."

In December, Mr Lines was convicted on two charges of conspiring to account falsely and one of making false or misleading convicted on one charge of conspiracy to account falsely and one of making false or misleading statements. He was acquitted on a further conspiracy charge over the purchase of Orsynex, a US chemical company.

The fraud began after MTM'e rapid, acquisition-led expansion in the late 1980s. MTM's chare price had risen steadily in this period, but the company was left with heavy borrowings as the industry went into recession.

To meet profit forecasts, a series of bogus transactions were put through MTM's books in 1990 and 1991. responsibla for his actions. When the company made its but went on: "You were less first profits warnings in

given about the company's underlying finances.

However, the company was to collapse dramatically within weeks, its share price falling in London from 286 pence to just 10 pence.

A lawyer for Mr Lines said it was in an effort to meet the expectations of City of London analysts that his client had crossed the line between acceptable and unacceptable business practices. But both BDO Binder Hamlyn and Robert Fleming could be criticised for their "lack of activity", Mr Langdale said.

"It may be that BDO had become far too cosy with MTM." he said. Robert Fleming had not

attempted to prevent Mr Lines making the statements which misled the markets, he said. One banker had suggested MTM "accentuate the positive", he said.

Share price (pence)

Sentencing the men, the fraod had not been commitjudge said: "Those who ted for personal gain, telling undertake the management understand that the requirement of honest dealing with auditors and the public is absolute. Where dishonesty ls proven, imprisonment must follow

Mr Lines: "I accept it was of public companies must ambition for the company, and through the company for yourself, that motivated you and not greed". Mr Lines was disqualified

from acting as a company director for five years and However, he accepted the Mr Baxter for two years.

# inister seeks anti-EU

By Hugh Carnegy in Stockholm

Mr Malcolm Rifkind, the British foreign secretary, yesterday invoked the spectre of a pan-European police force as he launched a round-Europe campaign to win backing for Britain's efforts to halt deeper integration in the European Union.

Opening in Sweden, where public opinion is more anti-EU than in the UK, Mr Rifkind claimed that "tens of millions of people throughout Europe" supported "Britain'e balanced approach" to building an EU based on "intergovernmental action, not integration". "It may be,"

he said, "that in some countries people are ready to have a European police force patrolling their authorities: to have asylum rules and immigration quotas set - and decisions taken on who should become citizens of their country - at

true of most other countries." Mr Rifkind, speaking at the Stockholm Foreign Policy Institute, said he would soon visit Germany, France, the Netherlands and other

Rifkind cast doubts on denials by streets; to be subject to arrest and some EU countries that they were detention by European justice not working towards a "United States of Europe' He said "there is an ambiguity, an

uncertainty, about the limits of the integration that other governments the European level. But in Britain are seeking...Many people in my they are not, and I suspect that is country fear that the inevitable they are not, and I suspect that is result will be a federal superstate in which nation etates have no more control over the lives of their citizens than parish councils do now." Mr Rifkind said Britain backed

modern vision of Europe". In a refer- with strict limits on supranational ence to France and Germany, Mr powers. It wanted an EU that was enlarged to embrace eastern European nations and was "more diverse culturally, politically and economi-

His hosts appeared anxious not to be too closely identified with his views. Mrs Lena Hjelm-Wallen, the Swedish foreign minister, said Stockholm believed the EU should be based on intergovernmental, not supranational, institutions. But she added: "We have entered the EU to be constructive, not to put a stick in the EU states to proclaim "Britain's more co-operation in Europe, but the UK has done that."

# English World Cup bid fuels soccer row

By Jimmy Burns in London and Peter Norman in Bonn

English soccer chiefs last night prepared for an extended and potentially bruising contest with their German counterparts after winning renewed UK governmment backing for their controversial bld for the 2006 World Cup.

444

ý

Mr David Davies, from the English Football Association, pledged to push ahead with a £10m (\$16.2m) campaign to promote the UK case internationally in spite of the declared preference of European football chiefs for the German bid.

"We will be taking this campaign around the world because we believe our bid

Davies said. The move threatens to fuel

a simmering transnational row inside Uefa and Fifa, which govern the European and world game respectively, which was sparked by Uefa's support for the German bid.

The FA claimed that a fax from Uefa last week was the

will be the best bid," Mr first it had beard of the decision to back the German bid. In a statement, the FA accused Uefa of being "undemocratic",

This version of events was contradicted by German football officials and Uefa's Swedish president, Mr Lennart Johansson, who claimed that UK soccer chiefs bad passively con-

sected to the German bid since it was first aired two years ago.

The German football feder atioo (DFB) yesterday welcomed Uefa's support for Germany's bid to host the World Cup in 2006 as "an extremely important step" which would "give a new boost" to the country's pjans,

#### Switch to repos will be outlined today

By Richard Adams and **Graham Bowley** 

The Bank of England will today announce its final plans to revolutionise the way it operates in the money markets and supplies liquidity to clearing banks. The reforms will be introduced by the bank, the UK central bank, as soon as the first week in March - earlier than expected - to avoid any additional pressure on

the markets in the run-up to

the UK general election.

In the biggest changes to its money markete operations for 100 years, the hank is to introduce daily gilt sales and repurchase agreements - known as gilt repos - to manage daily short-term interest rates. It will also remove the exclusive status of discount houses, throngb which It currently controls the sup-

ply of money to the markets. The bank first published its proposals in December. But after discussions with discount houses and other parties, it agreed to introduce a transition period of up to two years to cushion discount houses from the effect of losing their special role and to allow the change to proceed smoothly.

The switch to gilt repos will allow the Bank to trade debt through a wider range of parties that regularly deal in UK government stock, including banks, building societies and securities houses, as well as the seven discount bouses.

Gtlt repos will be used aloneside the Treasury bills and local authority and bank bills which the bank buys and sells at present.

The bank said yesterday that the initial proposals had been refined after wideranging talks with the market participants. The bank's move brings the UK into line with other European countries such as Germany. Juterest rate setting for a single currency would almost certainly be based on repo operations.

UK ECONOMICS DIGEST

# **UBS** joins Emu investment row

One of Europe's biggest banks entered the single currency debate yesterday, saying that companies' decisions to invest in the UK would not be influenced by monetary union. A study by Union Bank of Switzerland said inward investors would concentrate instead on factors such as flexible labour markets and training which raised the UK's competitiveness. On that, the UK had an enviable record compared with other countries such as France and Germany, UBS said.

"The level of the currency or participation in Emu is extremely unlikely to be the main consideration of any company investing in Europe," said Mr Paul Donovan, UBS economist and author of the study with Mr George Magnus, UBS chief international economist. The report follows suggestions last week by Toyota, the Japanese motor company, that its investment strategy might change if the UK stayed out of Emu. The UBS report said that debates over exchange rates edded little to the debate about how to make countries more competitive. "Flexible, well-educated labour markets and the application of new technology, that is what is making countries competitive," Mr Donovan said. He added that attempts by some countries to ensure that the euro, the proposed currency, would be weak in order to boost their economies were missing the point. "That is not going to help the crisis in many continental European countries. Germany and France are going to remain competitively backward so long as they have labour markets which are not attractive to global markets." he said.

#### MANUFACTURING Factory activity accelerates

Factories reported an unexpected turnround in manufacturing activity last month, the latest survey by the Chartered Institute of Purchasing and Supply showed yesterday. Activity accelerated for the first time since October as factories took on more staff than at any time since March 1995. The institute's survey provided the first evidence that manufacturers are weathering the pound's recent strength. Factory order books improved thanks mainly to rising domestic consumer demand, although export orders were also bigher.

The findings will bring relief to some companies whose exports had been dented by the pound's sharp rise since the middle of last year. After slipping slightly last week, the pound rose strongly again yesterday, gaining more than two piennings against the D-Mark to close at DM2.648. The pound's sharp rise has helped keep import prices down, the survey showed.

**SMALLER BUSINESSES** 

#### Optimism over sales and jobs

Owners of small to medium sized businesses in the UK are much more optimistic than their counterparts on mainland Europe about increasing staff numbers and sales in 1997, a survey from Grant Thornton, an accountancy firm, and Business Strategies, an economics consultancy, said yesterday. The study says businesses in all regions of the UK except Scotland intend to employ more people this year than last. The greatest expectations about sales and profits growth are in southern and Peter Marsh north-west England and in Wales.

#### **CONTRACTS & TENDERS**

TAPY RT. HUNGARIAN PRIVATIZATION AND STATE HOLDING COMPANY ANNOUNCEMENT

The Hungarian Privatization and State Holding Company (APV Rt., 1133 Budapest, Pozsonyl et 56) notifies those concerned that the open render announced on September 6; 1996 for thesale of the share package of the 100% state owned Recsk Ore Mines Co. (formelly Recsk Ore Mines State Enterprise, recently transformed into a joint stock company) has been

declared unsuccessful.

The Hungarian Privatization and State Holding Company hereby issues a prelimin ment to the interested parties, that in the near future it intends to announce a new potratization tender for the sale of the Reesk Ore Mines Co. Invitations for the new exclusive sender will be sent also to the organizations which have submitted an offer for the present sender."

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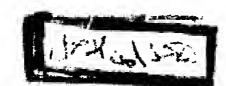
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Mr Michael F Gambardella

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Bender 1997 Bender Street The same of the sa

to the regulation. Although it could bave

gian authorities. The Antwerp Commercial Court referred the case to the Luxembourg Court. The Commission argued there was no need to rule on some or all of the questions referred, as they called into question the validity of its

fund, and it was therefore

A lot of real exciting things are happening," says Mark Agee, president of Oklahomabased Syntroleum.

Big oil companies are beating a path FUELS FOR are pearing a pain to the tiny company's door because of its low cost, economical process for making synthetic crude

The Tulsa company, founded in 1964 by Agee'a brother Kenneth now chairman and chief executive - still has just 16 employees. It claims to have developed a process for converting natural gas into "syncrude" that is competitive with oil at \$15 to \$20 a barrel.

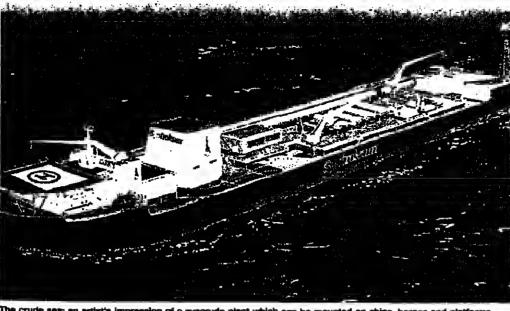
The significance of the development is not lost on the oil and gas industry. For years, the technology for creating syncrude from natural gas has been hampered by its high cost and uneco nomic image. But an economical, small-scale version could become a valuable option for oil and gas companies. Syntroleum recently signed agreements with Texaco to license and develop the technology, and is in discussions with nine other oil companies for licensing rights.

To succeed, the conversion process has to overcome its image problem and prove its profitabillty, says Agee. "Peopla have always said that this technology is too expensive," he says, "But none of these people were actually focused on making it less expensive."

The Syntroleum procesa is based on traditional Fischer-Tropsch chemistry - named after two early 20th century German scientists - which uses a catalyst to convert carbon monoxide and bydrogen into hydrocarbons. The carbon monoxide and bydrogen (known as synthesis gas or syngas) for the reaction can he produced either from coal or natural gas. Germany used the process during the second world war to produce diesel fuel from coal and Sasol, of South Africa, has been involved since the 1950s.

In the Syntroleum process natural gas is mixed with air in a reactor called an autothermal reformer to produce carbon monoxide and hydrogen. In the next reactor a cobalt-based catalyst converts the syngas into hydro-

Tha key to the process is its simple design - the reactants go in at one end and products come out of the other. This allows the nitrogen contained in the air to pass through the system. Previous designs have been more com-plex, with a "recycle loop" that can lead to a build-up of nitrogen. So pure oxygen has had to be talks with state-owned Qatar



The crude sea: an artist's impression of e syncrude plant which can be mounted on ships, barges and platforms

William Macdonald on a low-cost process for manufacturing synthetic crude oil

# Gas reaction

used instead of air, which has added to the cost,

Syntroleum has been operating a pilot plant at Tulsa producing two barrels of syncrude per day since 1990 and expects to make an announcement on its first commercial plant, probably at 5,000bpd, within six months.

At present, the company offers an economical process at outputs as low as 2,000bpd, "Size is very important. If this is going to be a widely used tool, it has got to fit the size of the fields," says Mark Syntroleum calculates that this

small-scale approach would allow the process to fit more than 40 per cent of tha world's gas fields, holding more than 95 per cent of the world's gas. The company is also looking at mounting the plants on ships, barges and offsbore platforms. A few relatively large natural

gas-to-synthetic fuel plants have already been built. Shell, regarded as the market leadar in this field, has been operating a 12,500bpd natural gas-to-synthetic fuel plant in Malaysia since 1993. The plant, which also produces some waxes, cost \$850m to build. Exxon, meanwhile, has been in

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C-178/95: Wiljo NV o Bel-

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The Court

That rule was based on the

against him.

Ceneral Petroleum for a \$1bn- Newcastle University's chemical plus plant to produce synthetic fuels from natural gas. This would produce 50,000bpd of liquid diesel fuel known as middle distillate. But neither Shell nor Exxon are considering producing synthetic fuels at the small out-

put volumes that Agee thinks are

critical to success of the process. Synthetic crude oll can also be produced from the vast tar sands of western Canada, where developments in extraction technology over the past 20 years have sharply improved the product's competitiveness against more conventional sources,

ne big advantage for the natural gas conversion process is that there is plenty of it. According to a recent study by Enron, the US gas company, there could be as much as 14,000 trillion (million million) cubic feet of natural gas available worldwide. If this estimate is accurate, it means that the world's natural gas reserves could potentially be converted into 1.400bm barrels of syncrude. more than doubling the world's current oil reserves.

ation, says Ian Fells, professor at gas, will appear shortly.

engineering department, is that the methane in natural gas is a very potent greenhouse gas; 30 times more potent than carbon dioxide. Having an alternative use of the gas could be extremely important where the field is too small to turn it into methanol or liquefied gas, or too remote to be piped. "The best thing you can do with gas is to use it as gas," he says. "There needs to be special circumstances before you would consider doing anything else."

**TECHNOLOGY** 

For refiners, syncrude would have advantages as it contains no sulphur or aromatics. This purity should enable the use of simplified refining techniques, says Syntroleum, Also, in contrast to alternatives to oil such as methanol, syncrude can be used in the existing infrastructure for oil products without modifications.

The process would be "entirely sensible if the economics work out," says Fells. "At the moment there is a world glut of gas and oil, but that, of course, could turn into a famine at any time."

This is the first in a series on new or alternotive fuels. A second Another important consider- orticle, on compressed natural

#### Update · Nanophase materials

# Glowing example of microparticles

April 18, 1989

Particles with

NANOPHASE meterials

maker since interests — alements and compounds made in the form of extremely fine particles — are likely to essuma increasing importance in the next few years, according to Technical insights (17), the New Jersey technicoly markal rasearch

lechnology markal research organisation. Nanophese particles ere

Nanophese particles ere so called because their sizes range from one to 100 nanometres (e nanometre is one thousand millionih of e matra). Such extremely line powders flow rather like weter and can essuma mechanical, alectrical, mrgnatis and optical properties their are not present in normal forms.

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doubling).

such as iron oxide are used in

the production of make-up and

lotions, enabling them to spread

Zinc oxide and titanium diox-

ide have long been known as

excellent absorbers of ultra-

Violet light of the frequencies

which damage buman skin. But

they could not be used effec-

tively in sunscreens as they

which were typically 1,000nm or

larger in diameter, scattered

visible light, which has wave-

lengths ranging from around

effect on visible light waves, so

transparent supplocks can be

The grains of oxide molecules,

more evenly than before.

whiten on application.

350nm to 800nm.

and joint racearch

possibilities

elements and compounds made in the form of extremely fine particles - were an idea whose time was coming in 1989.

Nanophase particles are so called because their sizes range from one to 100 nanometres (a nanometre is one thousand milliontb of a metre). Such extremely fine powders flow rather like water and can assume mechanical, electrical, magnetic and optical properties that are not present in normal forms.

A US report said nanophase materials were likely to assume Increasing importance in the next few years.

NOW: New materials in miniature have, as expected, proved effective as additives which help irreplaceable technology resist

But there is some way to go before nanosteel, for example, is osed for the turbo pumps in space shuttle engines, as predicted by BusinessWeek in 1991. Instead, microparticles have proved a valuable new active ingredient in suphlocks.

The new materials have many properties that ought to find them a home in industry. They make ceramics stronger, more malleable and more resistant to heat, while some nanophase metals are five times as strong as the naturally-occurring elements.

Researchers have toiled to improve on the production process in which naturally occurring elements and compounds are essentially ground down to the requisite size.

"The actual improvement in physical strength is down to specific particle size." an industrial chemist explains. "It is not easy to control what

is essentially a smashing up of chemical structures. You will tend to get lots of particles that are smaller or larger than the ones yon want." The new methods have been

used successfully in the cosmetics industry to exploit traditional materials with useful optical properties. Fine particles of pigments

Nanophase Technologies, the US company that has pioneered research in the area, is working on related products to stop paper and fabrics fading in the

The new physical sunscreens are non-toxic and odourless Traditional chemical sun screens, such as benzophenones use organic molecules which absorh light in the UV frequency range.

As these compounds are invariably aromatic, the final product tends to he smelly Chemical sunscreens can also trigger skin allergies and they are costly to produce, as the active ingredient often has to be used in large quantities to be effective.

That is not to say physical sunscreeos are cheap. Production of emulsions that are con sistent in both the size and distribution of the microparticles is tricky. The production process can be monitored with pow erful microscopes, which can be effective, but it is often more prudent to bny expensive preparations of premilled ingredient. An unevenness in the product

could skew measurements of the protection offered by a cream putting manufacturers at the risk of unwittingly making false

Nanophase materials have been used to date to help well-known techniques evolve rather than to revolutionise existing practices. That could all change if Nanophase Technologies fulfils its promise to be a \$100m company by the end of the decade, Even now there is evidence

that an elegant concept has made the often painful transition from laboratory to bottom line. "The products would have become very much more expensive as the consumer demands higher and higher levels of protection," says a cosmette chem-"We would be working a lot

on preventing potential aller-The grains of 50mm or less now available have a negligible gies and skin reactious."

**Michael Peel** 

#### LAW

# Time limit on EC challenges



Failure to reasonable to assume the decision could be challenged in proceedings against national authorities before the national courts.

The Court observed that it Failure to reasonable to assume the EUROPEAN action for was settled law that a deciannulment sion adopted by a European before tha Union institution, which had

European Court of Justice not been challenged by its within the time limits pre-scribed by the Treaty of Rome precluded any subsequent challenge before a national court, the Court ruled last week. The case arose out of pro-

ceedings between Wiljo. a company involved in bunkering of sea-going vessels. and the Belgian state. Wiljo brought an action against a decision of the Balgian authorities demanding a contribution to a scrapping fund set up under the European regulation to improve inland waterway transport.

Tha regulation was intended to achieve a substantial cut in overcapacity in such transport. Wiljo had earlier applied to the Commission for exemption from scrapping fund payments in respect of a bunkering ves-

sel, tha Smaragd. The Commission rejected that application, and stated that it considered the vessel suitable for the transport of all kinds of liquid loads and therefore contributed to the capacity of the inland waterway fleet which was subject

appliad to the European Court for annulment of that decision, Wiljo did not do so within the time limits. Instead, it brought proceedings before a national court challenging the decision's implementation by the Bel-

unchallenged earlier deci-

Wiljo maintained that the national authorities had primary responsibility for administering the scrapping

# Philips poaches from CSFB

lvo Lurvink, head of Credit Suisse First Boston's Prague operations, is in March joining Philips, Europe's biggest consumer electronics group, as senior director and head

of mergers and acquisitions. Lurvink, a Dutch citizen, will be based at Philips' Eindhoven headquarters reporting to Dudley Eustace, chief financial officer. Lurvink, 35, replaces Rens Das, who has retired.

Under Cor Boonstra, who took over as preaident last Octobar. Philips has been seeking to stem an erosion in profit margins by rapidly shedding non-performing units and aeeking tie-ups with manufacturers in lower cost countries. Lurvink'a job will include responsibility for divestments, alliances and joint ventures.

were intended to ensure legal certainty by preventing measures being called into concluded that, by virtue of the principle of legal certainty, tha national court many bond issues for Czech compawas hound by the Commisnies and also forged a close relaslon's decision addressed to Wiljo, according to which

Lurvink was once tipped to head CSFB's Moscow office. He said the offer from Philips gave him the opportunity to return to a "very challenging" job in his native country. In his time at CSFB the investment bank lead-managed

tionship with Komercni Banka, the largest Czech commercial bank. They are oow jointly working on the privatisation of Nova Hut, a big steel company which is due to offer shares to the public later this year.

His successor at CSFB is Karl-Heinz Kranich, who moves from JP Morgan's Prague office, which he has headed since 1990. JP Morgan was adviser to SPT Telecom and the Czech government in the sale of a 27 per cent stake in the telecoms group to a Dutch/Swiss consortium in 1995.

Kranich, 43, has been with JP Morgan for nearly 22 years, most of them spent in Frankfurt and Dusseldorf before moving to Prague in

Gordon Cramb in Amsterdam and Vincent Boland in Prague

#### Browne joins Intel

John Browne, group chief executive of British Petroleum, has joined the board of Intel, the USbased semiconductor group which dominates the market for personal computer microprocessors

Browne, 48, is the first European and only the second non-American to be appointed to the 11-member Intel board and his appointment comes as the US chip maker continues to expand its business overseas. He joined BP's board as managing director in 1991 and became group chief executive in July 1995. He is also a director of SmithKline

INTERNATIONAL PEOPLE

Gordon Moore, Intel chairman, said Browne'a "years of international experience, managing large and widely dispersed industrial organisations, will provide intel with considerable expertise as we face the competitive challenges of the future." Paul Taylor, London

#### Swedish manoeuvres

A round of musical chairs at three of Sweden's biggest companies has taken Michael Treschow, chief executive at Atlas Copco, the engineering group, to the chief executive's seat at Electrolux, the household appliance supplier. He replaces Leif Johansson, who

is to take over at the helm of Volvo. Giulio Mazzalupi, the longserving Italian head of Atlas's compressor division, is to succeed Treschow, thus becoming one of a highly select band of foreigners to lead a top Swedish corporation.

Treschow, 53, has been at Atlas since 1975, spending six years as

chief executive. Associated by the markets with sound management, his reputation was enhanced by the successful \$550m takeover by Atlas of Milwaukee Electric Tool corporation of the US in 1995.

Under his stewardship, a strong focus on efficiency helped lift Atlas's operating margin from 7 to 11 per cent. This point will not have escaped the attention of Electrolux's board: under Johansson. Electrolux failed consistently to meet profitability targets.

Treschow takes over at a time when Electrolux is in the process of restructuring its US operations and is attempting to stem a alide in sales in its main European market. Greg McIvor, Stockholm

#### KKR: new Euro chief



One of Britain's veteran industrialists, lan Martin, is quitting as European boss of tha giant New York investment house Kohlberg Kravis Roberts (KKR). Glenisla

Group, set up three years ago by Martin as KKR's European vehicle.

will now be run by its present investment chief, Neil Richardson

At 61, Martin - previously sec-ond in command at Grand Metropolitan - is by no means retiring. He is chairman of the food group Unigate, and is on the board of Granada. That, it turns out, is precisely the point.

"There are quite a few conflicts emerging", he says. "KKR looks at everything; we've looked at 150 opportunities in the past three years. Unigate is in acquisitive mode as well, and Granada has been selling things. There have been one or two awkward situa-

tions." During Martin's time, KKR has bought close to \$1bn worth of European busineaaea, mostly regional newspapers. These include the recent £305m purchase of Westminster Press from Pearson, owners of the FT. Martin will stay on the board of Newsquest, KKR's

newspaper holding company. Richardson, 39, started his career with the management consultants Bain & Co. then headed the UK mergers and acquisitions business of CS First Boston. He has been Glenisla's investment head since April 1994. Tony Jackson, London

Dunogue have been

#### ON THE MOVE

■ Werner Wenning, head of corporate planning and controlling, joins the board of BAYER on February 1. ■ Tom Mockridge has been appointed chief executive of FOXTEL, Australia's largest cable consortium. succeeding Mark Booth, Who becomes chief operating officer of JSkyB, a joint

interpretation of the provisions which definad tha scope of the regulation. Adopting the observations venture hy News Corp and which Advocata General Japan's Softbank Corp. ■ Bob lves, fixed-income Francis Jacobs had made in his opinion, the Court conmutual fund manager of cluded that all of the FIDELITY INVESTMENTS. national court's questions who oversaw four funds had to be construed as relatwith assets totalling about ing to the validity of tha \$1.5bn, has resigned. ■ Bruce Myers joins GTL Commission's decision. the US electronics group 57 The Court ruled that percent owned by Telemetrix where a Commission deciof the UK, as vice-president sion had been addressed to and chief financial officer. the owner of a vessel, find-

> financial officer of Xscribe Corp. ■ Daniel Shum has left Salomon Brothers for LEHMAN BROTHERS ASIA HOLDINGS, where he succeeds George Chalmes as senior vice-president in charge of private client

Myers was previously chief

operating officer and chief

gium, ECJ 5CH, January 30 Foo Pek Hong becomes a managing director of the BRICK COURT CHAMBERS. BRUSSELS | Singapore office of HSBC

HOLDINGS. Tan Geok Pong US jeweller, take the has been appointed managing director for business development. ■ William Irvine, chairman of NATIONAL AUSTRALIA RANK, is to retire from the board in September. He will be succeeded by Mark Rayner, a director of the bank since 1985.

■ Tsutomu Okuda, managing director, succeeds Shotaro Shimomura as president of DAIMARU, the Japanese stores group, on March I. ■ Allen Ritchie has resigned

as president - finance and administrative group - of AGCO, the US agricultural equipment company. ■ Eric Molohi, chairman of Kagiso Trust Investment, joins the boards of three group companies of South Africa's LIBERTY LIFE GROUP.

■ Joseph Prochaska has been appointed chief financial officer of AON GROUP, the consulting arm of Aon Corporation. ■ Migual Etchenique, chairman of Brasmotor of Brazil, joins JP MORGAN's international advisory council, chaired by former US secretary of state George Schultz.

■ Michael Kowalski,

president of TIFFANY, the

additional role of chief operating officer. Jeanne Daniel and Thomas O'Neill, respectively senior vice-presidents merchandising and international, become executive vice-presidents. ■ Jürgen Guba joins SALOMON BROTHERS from Commerzbank as vice-president, head of fixed income capital markets for

■ Thierry Hénault becomes president of DUCROS, the French herbs and seasonings group. He succeeds Pierre Bombana, who moves to other duties within the Medeol Group. ■ Sven Porelius has been

Germany.

appointed president of ASSIDOMAN KRAFT PRODUCTS, the Swedish forest products group, from March 17. He was previously with Mölnlycke. Mats Heiman, who has been acting president, will return to Carta Corporate Advsors. ■ Christian Speiser joins the board of SWISS RE on March As chief financial officer.

end of 1997 and 1998 respectively. Former Philippines energy

he will progressively take

Rruno Laube and Christoph

Dorschel, who retire at the

over responsibility from

secretary Delfin Lazaro joins the board of GLOBE TELECOM, a joint venture between Ayala Corp and Singapore Telecom International. ■ Liu Chaoying has been

appointed an executive director of CHINA AEROSPACE INTERNATIONAL HOLDINGS. ■ Yang Yi Sheng retired as

executive director and vice-chairman of CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG on January 21. Zheng Hongquing and Xu Shiquan have become executive directors. ■ Robert and Janice

Davidson have relinquished their executive roles as CUC INTERNATIONAL, the US software group, but will remain on the board. Christopher McLeod. previously vice-president of CUC International, becomes chief executiva of CUC Software. Kenneth Williams, co-founder of CUC subsidiary Sierra On-Line, will take on an enlarged

group role. ■ Paul Stecko rises to chief operating officer for TENNECO, the US industria group. He was previously president and chief executive of the company's

packaging operations. ■ Philippe Rouesse becomes adviser to the chairman and secretary general of AOM. the French domestic airline. He had previously spent his career at GTM Entrepose, the French diversified industrial group. ■ Peter Abele and Werner Mischke join the

part of the Volkswagen group. Mischke, previously head of car body development at BMW. takes over Franz-Josef Paefgen's responsibility for technical development. Abele currently in charge of Audi's business administration, takes over a new finance and organisation division.

management board of AUDI.

■ David Airey has resigned as chief executive of BANK OF MELBOURNE. Australia's eighth largest bank, to join Australia and New Zealand Banking Group. Robert Giles, chief financial officer, becomes acting chief executive and Christopher Stewart,

executive chairman. ■ Ann McLaughlin, former US labor secretary and chairman of the Aspen Institute, joins the board of DONNA KARAN INTERNATIONAL, the US designer.

■ Krish Prabhu and Jacques

Please fax information on new appointments and retirements to +44 171 873 3926, marked

appointed vice-presidents of ALCATEL TELECOM and will sit on the executive committee. Andrew Freris, formerly Salomon Brothers' chief economist in Asia, joins BANK OF AMERICA'a

global capital markets group as managing director, Asia research at BA Asia. Sanjiv Misra, former India country head at Goldman Sachs, moves to SALOMON **BROTHERS** as managing director and head of Asia Pacific equity capital markets

■ Brian Woods joins PLANET HOLLYWOOD INTERNATIONAL from Blockbuster Entertainment in a new role as president of the Planet Hollywood brand. Ian Hamilton, formerly global director of tennis marketing at Nike, takes charge of the Official All Star Cafe brand.

#### International appointments

for International People. Set fax to 'fine'.

The Common Market of the South has already come a long way, but now co-ordinated policies are needed. Without them, further progress may prove more difficult. Stephen Fidler reports

# **Trade pact** sets the pace for integration

per cent, five years after the

target date for Brazil and

ened. Chile acceded in Octo-

ber as an associate member,

meaning it will become part

of the group's free trade zone

witbout adopting the com-

mon external tariff. Bolivia.

a member of the Andean

Pact trade area, negotiated a

similar association in

Negotiations for a frae

trade association with other

group - Colombia, Ecuador,

Peru and Venezuela - could

start this year. Talks with

Mexico may follow soon

The group is also in talks

- going slowly - to establish

Since its members started

reducing tariffs on one

trade within Mercosur bas

grown rapidly - at an aver-

age 27 per cent a year from

1990 to 1995, at a time when

members' trade with the rest

trade is now conducted with

pean Union.

Argentina to do the same.

tion, an elusive ambi-Ation since the region shrugged off the colonial voke in the last century, has advanced further since 1990 tban in the previous 100 has been the surprising progress made since its creation in 1991 by the Mercosur trade area.

Mercosur - Mercosul In Portuguese - is an acronym for the Common Market of the South, created under the Treaty of Asunción by the governments of Argentina, Brazil, Paraguay and Uru-

Despite its name, lt is still a long way from being a common market, because free movement of labour remains a distant and difficult prospect. But it bas a trade area with the Eurocome a long way. Most trade within Mercosur is already tariff-free, although free trade in all products will not another's products in 1991. be realised until 2000. By then, agreements on cars and sugar should have been

'A common external tariff has also been adopted on of the world expanded an most products. But the annual 7.5 per cent. One fifth group will not become a full of the four countries' foreign customs union until 2006. Then Paraguay and Uruguay the other three Mercosur should adopt for all products members, compared with 9 the common external tariff, per cent in 1990.

Trade between Brazil and Argentina has quadrupled since 1990 to more than \$15bn last year and is forecast to double again in the

Some critics have seen this growth as a sign that the group may be a stumbling block to free trade, rather than a building block. Mr Alexander Yeats, princi-pal economist of the World Bank's International Trade Division, argued in a paper that emerged in October that intra-Mercosur exports were "growing most rapidly for products where there is no evidence that Mercosur has any natural comparative

Supporters retorted that the growth of intra-Mercosur trade reflected rapid growth in the region's imports from all sources since the economies were opened at the turn of the decade.

Even supporters agree, however, that there are important imperfections in Mercosur from a free trade standpoint, not least in a protectionist vehicle regime. Mercosur has, however, an

Mercosur bas also widimportance beyond trade. Export growth to Brazil has already, say some economists, helped Argentina survive a severe test of its antiinflation programme in the aftermath of the Mexican financial crisis in 1995.

Moreover, pressure from other Mercosur governments was critical in thwarting an members of the Andean attempted military coup last year in Paraguay. Nonetheless, as Mercosu

has progressed, the difficulties of integration have become more apparent. The region's infrastructure is ill-equipped to deal with

the growth of trade that has already taken place. But such difficulties for exporters are compounded by avoidable practical obsta-According to road hauliers, it can take three days to

accomplish the main border crossing between Brazil and Argentina at Uruguiana. Most of the problems are down to obstructive officials. "At the moment it is chaos. It is a question of mentality. We have told this

to the authorities." said Mr

Remigio Vitores, owner of necessary. These include a Vitores Transportes of Chile unified competition code, a which has a 100-strong Deet common anti-dumping polof beavy trucks. Mr Raul icy, and the need to incorporate services into the Merco-Medina of Transportes San Carlos of Argentina added: sur agreement. "Ultimately, we would like Tax harmonisation is to see one combined post at

678

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linking Brazil and Paraguay at Fox do Iguaçû, Brazil

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that goods imported from

their port of entry and then

More fundamentally per-

range of co-ordinated poli-

cies is now widely seen as

integration has

Population (million)

Real GDP

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border.

haps,

another issue. According to the borders, not one for each Mr Michel Abdo Alaby, executive vice-president of the Another border problem is Association of Brazilian Companies for Integration outside Mercosur often into Mercosur, companies in attract tariffs twice - both at Brazil are disadvantaged by the amount of tax they pay. again when they cross the In Brazil, tax accounts for an average of 43 per cent of production costs; in Argentina 28 per cent: in Uruguay 26 reached the stage where a per ceot; and Paraguay 20

1.854

1.992

per cent. Issues such as public sec-

tor procurement also have to be tackled. Argentine construction companies complain that they they do not receive the same treatment in Brazil as Brazilian companies get in Argentina. Another area where there is unequal treatment is in the

oil sector, where in Brazil

there is a state monopoly

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and where Argentina has an open market. Brazil concerns its partners in other ways. A presidential decree last month to provide incentives to carmakers to move to the north-east, for example, has

brought a worried response from Argentina. "The main issue that con-

the location of new investment, and the beggar-myneighbour tactics being used by Brazilian states fighting for corporate investment,

Argentine officials are also concerned that other practical difficulties for exporters to Brazil - for example, the double tariff - may encourage most Mercosur investment to head for Brazil. "Difficulties in entering the Brazilian market become incentives to invest there," said one.

said a senior trade official in

The attitude of Brazil to its smaller partners is thus central to the development

of Mercosur. This is particularly so because Mercosur lacks an institution such as the European Commission that can advance integration when the political will to do so is weak, or prevent it from going into reverse.

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rike service.

Mr Alieto Guadagni, Argentina's secretary of industry, commerce and mining, says: "We don't want to create a huge and costly bureaucracy, but we have to take care that we don't lose dynamism."

Brazll - which accounts for 70 per cent of the grouping's production population - has strongly resisted a supranational bureaucracy or court for Mercosur. As a result, most difficult decisions find their way to the four heads of state themselves.

Until now, there has been no lack of political will towards the development of Mercosur, although Brasilia has been cooler on the idea of pursuing rapid negotiations soon on a free trade area from Alaska to Tierra del Fuego. Leaders from the western hamisphere agreed this more than two years ago at a summit in Miami.

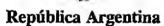
However, even if Brazilian President Fernando Hanrique Cardoso secures reelection for another fouryear term next year, continued political hacking for Mercosur will also depend on the continued success of Brazil's and Argentina's anti-inflation programmes.

A return of inflation in aithar country would increase strains on the other economy and on Mercosur itself. As time passes, in any case, there will be greater pressure for economic policy o-ordination.

"A common market will require greater institutionalisation of Mercosur and will need greater barmonisation of exchange rates and other economic policies," said Mr Benedito Pires, head of tha foreign trade department at Fiesp, the São Paulo employers' federation.

Mercosur's success so far has led to parallels with the process integration. But the European Union has been driven by institutions which Mercosur lacks. As a result, further progress towards integration may well prove more difficult than the surprising advances made to







República Oriental del Uruguay

#### COMISION BINACIONAL PUENTE BUENOS AIRES - COLONIA

INTERNATIONAL BIDDING FOR THE DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE - AS A CONCESSION OF PUBLIC WORKS (BOT) - OF A BRIDGE CROSSING THE RIVER PLATE BETWEEN ARGENTINA AND URUGUAY.

The Comision Binacional Puente Buenos Aires - Colonia (COBAICO), pursuant to the Reversal Notes signed by the Governments of Argentina and Uruguay on May 18th, 1996. hereby invites companies interested in the Pre-qualification and Data-Room leading to participate in an International Bid for the Design, Construction, Operation and Maintenance as a Concession of Public Works (BOT), of a bridge crossing the River Plate between Punta Lara (Argentina) and the proximity of Colonia del Sacramento (Uruguay), with an approximate of 41 km.

The International Bidding shall take the following steps:

- 1. Submission of Pre-qualification Information
- 2. Registration
- 3. Pre-qualification
- Data Room

And Straight Shares and the continuent

- Bid Proposals Qualification
- 7. Selection and Award

Pre-qualification Conditions and the Specifications List will be available on January 20th, 1997, in the following addresses.

Specifications List price: US\$ 1,000 (one thousand dollars)

Com. Binacional Puente Buenos Aires - Colonia (Delegación Argentina) Leandro N. Alem 449 1er piso C.P. 1003, Bucnos Aires, Argeotina Tel: (541) 315-4744, 315-4742 Fax: (541) 312-1739

E-mail: cobaico@interactive.com.ar

Com. Binacional Puentes Buenos Aires - Colonia (Delegación Uruguaya) Ciudadela 1414 2do. piso C.P. 11000, Montevideo, Uruguay Tel: (5982) 907-801, 907-437 Fax: (5982) 920-876 E-mail: puentebc@adinet.com.uy

#### ANNOUNCEMENT OF THE PRIVATIZATION OF THE PORT OF ROSARIO, ARGENTINA

Call for Qualifications

ENTE ADMINISTRADOR PUERTO ROSARIO (EN.A.P.RO.) officially announces the start of its program to privatize the Port of Rosario, a multi-purpose general cargo facility on the Parana River in the Province of Santa Fe that serves both a major local market and countries of the broader MERCOSUR region. Accordingly, it invites those firms wishing to participate in the privatization program to submit Statements of Qualification that are in accordance with the Preliminary Bid Specifications that will be used to guide this process. The EN.A.P.RO. privatization program calls for the concession agreement (s) to be signed and the Port transferred during 1997. A summary of the schedule for the first phase of the EN.A.P.RO. privatization program is presented below.

Publish Qualification Requirements and Sale of Preliminary Specifications: EN.A.P.RO. will make these documents available at its head office in Rosario from January 20 to April 7, 1997 between 9:00 a.m. and 5:00 p.m. The purchase price for the Preliminary Specifications is US\$5,000. Copies will be made available free of charge to any interested party on a for reference only basis.

Port and Data Room Visits: Parties who have purchased the Preliminary Bid Specifications may tour the port technical information displayed in the Data Room beginning February 3, 1997.

Conduct Investor Seminars: Meetings with prospective investors will be held in: · Houston, USA: February 27, 1997 - 9:00am - Hilton Houston Plaza, 6633 Travis St.

London, UK: March 3, 1997 - 11:00am - The London Chamber of Commerce and Industry, 33 Queen St.

Madrid, Spain: March 7, 1997 - 1:30 pm - Hotel Villa Magna, Paseo De La Castellana 22 Buenos Aires, Argentina: March 10, 1997 - 5:00 pm - Union Industrial Argentina, 1067 Alem Ave.

Submission of Qualifications: The deadline for submitting investor Statements of Qualifications is April 7, 1997 at 6:00 p.m. Only those documents that have been received by this time at the EN.A.P.RO. head office in Rosario. Argentina will receive consideration.

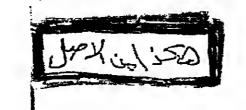
For additional information regarding this privatization program please contact:

in Argentina:

EN.A.P.RO. Avenida Belgrano 341 2000-Rosario, Argentina Attn: Sr. Marcelo PREMOLI Ing. Pedro R. MANNO

Tel: 54-41-48 7105 FAX: 54-41-48 5010 / 21 3246 E-mail: enapro@interactive.com.ar In the United States:

MFM Management for Meetings Mr. W. Daniel Lamey Tel: 1 (202) 347-2725 FAX: 1 (202) 783-3345 E-Mail: wdalamey@capaccess.org



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**MERCOSUR II** 

Barriers to trade: by David Pilling

# Down-to-earth difficulties Dwarfed by

Many of the customs union's problems will take several years to resolve

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When Argentine truck drivers hauling goods to Brazil went on strike last December, two nf their demands were of the most hasic kind: that toilets be installed at the frontier and that customs officials stop demanding bribes.

Against the yardstick of Europe, which took 40 years to achieve today's still-imperfect economic unity, the four Mercosur countries bave bnilt their custnms union at lightening speed. Between 1990 and 1996, trade among Mercosur's principal partners nearly quadrupled from \$4.1bn to about \$15bn as tariff harriers tumbled and the political decision to nnite was taken.

But on the ground, nm surprlaingly, real unity remains a long way off. The truckers' demands highlight the fact that grandiose political decisions do not change basic realities such as poor physical infrastructure or the attitude of officials used to protecting their own narrow interests.

not going to take 30 years to perfect it (as in Europe), but it will take five or 10 years," says Mr Juan Tasselkraut, plant manager at Mercedes-Benz in Argentina.

Mercedes Itself, which like most Mercosur-based vehicle manufacturers is continually hauling parts and vehicles between its plants in Argentina and Brazil, says it has little problem with border delays. But smaller companies without the clout of the big multinationals complain of unnecessary hureaucracy and demands for bribes,

The road network between Argentina and Brazil, through which the vast hulk of Mercosur trade flows, is not adequate to meet today's demands efficiently, let president of Paraguay, Mer-alone those of the future. cosur's most physically isoalone those of the future. Railways are on a different lated state, is understandagauge and the electricity grids are incompatible. When an Argentine bridge was unexpectedly closed for repairs late last year, it made national beadlines because of the resulting

Things are improving. Truckers interviewed at the [Argentine-Brazilian] border say the inspection process is much quicker than it was a couple of years ago," according to a Mercosur report prepared by Orbis, a Washing-ton-based business publisher. "Waits of several days or even weeks to cross the border - common in the early 1990s - are now extremely rare."

Just 1 or 2 per cent nf trucks coming from Brazil are beld up at the border for more than a day, compared with 20 per cent three years ago, the report says.

Mercosur countries are working towards the goal of standardising health certificates, so that a clean bill of health awarded to a product in one Mercosur country is acceptable to border officials in any of the others. Nonrecognition of an Argentina certificate hy, say, a Uruguayan or Brazilian official is one of the main causes of

transport hold-ups. Even here, there are. improvements. According to



Subsidence on e Brazilian road: The road network between Argentina and Brazil, through which the vast bulk of Me not adequate to meet today's demands efficiently, let alone those of the future

Orbis, Argentine truckers carrying wine to Brazil used to have to wait at least fiva days whila their cargo was sent to be analysed at a lab in Porto Alegre, 600km from the border post. Goods are now checked at Uruguaiana, at the frontier itself.

The importance of improv-"Mercosur is very new, It's ing infrastructure - for years constructed with the aim of servicing European or US. hut not regional, markets - is never far from the political agenda. But there are disagreements as to how more rational links should be forged. Mr Ricardo Lagos, Chile's

public works minister, has called for more government spending on road projects between Mercosur states. Without such a commitment. be says, the dream of a bioceanic block will remain inst that. Other officials. notably those in Argentina, are wary of state involvement, believing this often laads to construction of white elephants.

Mr Juan Carlos Wasmosy.



Juan Carlos Wasmosy: a big fan of infrastructural development

bly a big fan of infrastructural development. He envisions "interconnections through roads [that] will combine with railways, waterways and air routes to criss-cross South America from the Matto Grosso [in Brazil] to Buenos Aires, and from the Atlantic coast to the Pacific Ocean." That his vision sounds so futuristic indicates just bow far there

And the barriers to trade are not purely physical. The lon-sided aspirations of Mer-

cosur's four very different avoid repeated disputes. But members are also cause for Uruguay discovered this to its ability to act unilaterally

tiles flooding its market, placed punitive non-tariff harriers on textile imports. Without realising it, the mighty Brazilian beast had swatted the tiny Uruguayan fly. Montevideo reacted bitterly to the measure, which would have caused severe damage to its own textile sector. After much pleading and a series of bastily-convened bilateral meetings, it won redemption.

But Uruguayan officials say the incideot - repeated a few months later when Brasilia granted tax breaks to car plants basing themselves in northern Brazil - underscores the need for a formalised complaints settlements body. Arbitration could thus be effected more rapidly and without relying on the good will of one or other of the Mercosur partners.

Paraguay, and to a lesser extent Argentina, agree that such informal methods of Mercosur must become more arbitration are likely to institutionalised if it is to prove inadequate.

Brazil, the big kid on the block, is reluctant to give up its cost last year when Bra-zil, wary of cheap Asian tex-rules when these suit its macro-economic goals.

Brazil, too, is less keen to move rapidly on labour, environmental or tax standards, or to huild a free market in services - such as banking or air travel. On the other hand, neither Argentina nor Uruguay are in any hurry to see the free movement of labour within Mercosur, fearing that this could promote a flood of job-seekers from the union's poorest

Such differences of opinion, born of the asymmetrical nature of Mercosur's four economies, have not yet spilled over into overt friction. Trade disputes that have arisen have been settled on an ad-hoc hasis, often through force of presidential

But as Mercosur trade expands, inevitably multiplying the oumber of disputes,

Uruguay and Paraguay: by David Pilling

# new partners

The two smallest members of the bloc are already beginning to feel its impact

ants would make it the world's fourth most popnlous, and its \$1,000bn economy would rank seventh in the world.

members - Paraguay and Uruguay - have a combined population of a mere 8m, and a joint gross domestic product of \$25bn, leaving them dwarfed by their new-found economic partners.

The arithmetic serves to illustrate just what these two small countries have locked themselves into. Mercosur expands the potential market for manufacturers in either country by more than 50, hut likewise exposes them to competition from Argentine or Brazilian companies used to operating with incomparably greater economies of scale.

Lruguayan officials say increased competition has not heen such a shock because the country has like towards establishing a been unilaterally lowering permanent hureaucracy. its tariff barriers for two decades. Many uncompetitive companies, particularly in sectors such as chemicals, plastics and domestic appliances, bad already been weeded out before the customs union formally began in January 1995, leaving only those better suited to com-

"Uruguay helieves that this competition can be beneficial for our companies, in that it will oblige them to upgrade their operations permanently," says Mr Alvaro Ramos, Uruguay's foreign

President Julio Maria Sanguinetti believes Uruguay's companies cannot bope to produce everything, but the country's competitive advantages. These include a highly educated workforce, as well as strong agricultural, offshore banking and tourist sectors, he says.

Paper company Fanapel and rice producer Saman are If Mercosur were a single two companies that have country, its 200m inhabit- exploited the potential of the expanded market by concentrating on a narrower range of products and by marketing aggressively in the region. Saman has set up a But two of the hloc's four subsidiary in Brazil and has adapted its products to suit that market.

Other companies have chosen to club together to achieve the necessary economies of scale. Alimur groups eight food producers which export to a single distribution point they have established in Porto Alegre,

southern Brazil. Uruguay, in addition to its pretensions as an offshore regional banking centre, also bopes that its capital, Montevideo, will become the Brussels of South America as Mercosur begins to develop supranational hodies. Uruguay would he a natural. choice for such a role, but hiercosur may not move as rapidly as Montevideo would

Paraguay, the poorest country in Mercosur with a per capita income of just over \$1,850, is South Amercountry. Of the four partners it has most to gain from the customs union, although arguably least to offer. Paraguayan officials dis-

agree. For President Juan Carlos Wasmosy, Paraguay has "clear advantages" in chean and ahundant energy. and in the agricultural products that make up 98 per cent of its official exports, principally soya, cotton and

It is also macro-economishould specialise and exploit Paraguay's healthy balance cosur admission.



Sanguinetti: believes Uruguay's

sheet is based on its huge illicit economy, notably smuggling, an activity that could be squeezed as Mercosur's internal tariffs are low-

Paraguay's cheap lahour and low taxes (income tax does not exist) could be a potential draw for investors. Its vast bydro-electric resources, which provide the cheapest energy in the world, could also be an attractive proposition for electro-intensive industries.

But little investment has yet materialised. Paraguay's skills base is low, its infrastructure poor and lts mainly state-owned services riddled by inefficiencies and corruption.

Until Mercosur is more firmly established, few manufacturers are likely to base themselves in Paraguay. for some reason fail, investors would be left with a lca's least industrialised market of only 4.5m relatively poor Paraguayans.

But, in one sense. Mercosur has already heen invaluable in helping Paraguay's ambitions to become more modern.

When, last April, General Lino Oviedo revved up his tanks to mark the start of a very old-fashioned coup. Mercosur's leaders made it abundantly clear that dictatorships would be excluded from the union.

For Paraguayans exaspercally stable, with the lowest ated with decades of military per capita public debt in the rule, that alone may have region. However, much of been worth the price of Mer-

PROFILE Indústrias Klabin de Papel and Celulose

# Aloof attitude is evaporating

In common with many nther large Brazilian companies, Indústrias Klabin da Papel and Celulose took a relaxed view of Mercosur when the free-trada area was

With the Brazilian economy dominating the Mercosur region – it provides about 70 per cent of the combined gross domestic product of the four countries - the opening up of the Mercosur region did not represent such a significant opportunity for Brazil as it did for its three neighbours.

Many Brazilian companies were concentrating on other markets. Klabin, one of Latin America's largest paper and pulp companies. exports 30 per cent of its production and already had well-established overseas markets, particularly in

However, that aloof attitude to Mercosur is now changing. Klabin is about to become the first Brazilian paper group to set up a production facility in Argentina. The new factory, at Pilar, 60km from Buenos Aires, is set to start production of envelopes and

sacks in the second half of this year. The initial investment of \$20m in the new facility is modest, but it is an indication of the increasing importance the group is attributing to the Mercosur markats. "We feel there are

significant opportunities for

us, especially in Argentina," says Mr Célio Peres, a director of Klahin. Klabin, founded in 1934, operates in most areas of the paper and pulp industry, including printing paper, paper sacks and envelopes, tissues packaging paper, newspapers and recycling.

The group, which has 230,000ha of planted forest and sales in 1995 of \$1.28hn, is expected to list American Depositary Receipts (ADRs) in 1997.

The group actually began exporting to Argentina over six years ago and Mr Peres says it has taken Klabin some time to learn how the market works and to invest. There are several reasons.

The strong market in Brazil in 1994 and 1995, when the group was operating at full capacity, acted as a disinceptive for it to look closely at neighbouring countries during those years, he says.

The most important factor, though, has been improvements in the Argentine economy over recent years. "There exists now a stable economic environment, with lots of potential for growth," Mr Peres claims. In particular, he believes the prospects

for the local cement and flour industries, which are important clients for the products to be produced at Pilar, will expand strongly. As well as lower

transport costs for domestic sales, another advantage of huilding a factory in Argentina will be more secure local customer orders, Mr Peres says. The Argentine market is

less developed than Brazil, he says, although it is becoming more competitive, particularly since several Chilean companies have invested in the country. The group will examina the performance of the

Argentine plant to see if it might invest in extra facilities for other products. There is plenty of land available at the Pilar site for further development, Mr Peres says. However Klabin is also

considering other investment opportunities in

FINANCIAL TIMES

the north-east of Brazil, which puts it at the forefront of one of Mercosur's thorniest issues

Brazil's Mercosur pariners have complained about the subsidies which the Brazilian states offer for direct investment, and Argentina has been particularly angered by a series of incentives offered to carmakers to build factories in Brazil's

north east. Klabin already has a small plant in the north-eastern city of Recife and is examining the possibility of building another one there. Mr Peres points out that whila the group will receive little in the way of incentives for building a plant in Argentina, in Recife it receives a number of state and federal government tax breaks.

Geoff Dyer

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# Latin American Finance and investment

Friday, March 14, 1997

The survey will look at the region's economy, capitalisation, politics, financial sectors, infrastructure and other topics. The report will be distributed at the 12th Annual Inter-American Development Bank meeting, to be held in Barcelona from March 17th-19th, 1997.

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FT Surveys

# Brasilia rocks the boat

When Brazil's national interests are concerned. Mercosur takes second place

A rapid bout of sbuttle diplomacy this month seems incentives for manufacturers underdeveloped north-east.

An earlier row, following Brazil's decision to set quotas for vehicle imports in mid-1995, was the higgest single threat to the unity of Mercosur since its inception.

have seen substantial expansion of their motor industries in the 1990s. Agreements reached within Mercosur can take some of the credit. But Brazilian poli-

concerned. Mercosur takes The latest fracas concerns

dent Fernando Henrique Cardoso of Brazil in December. The move was widely seen as a political favour to to have diluted what could Mr Cardoso's congressional have become Brazll and allies in the north-east, Argentina's secood big dis- designed to guarantee suppute over the motor indus- port for a number of meatry, after Brazil introduced sures facing a difficult passage through Congress. setting up in the country's locluding a constitutional amendment which would allow the president to run for a secood term of office in

Within days of the decree, Asia Motors of South Korea announced plans to build a Policy disagreements not- \$500m factory in the northwithstanding both countries eastern state of Bahia. Adefa, Argentina's main motor industry association. promptly called on the government not to recognise vehicles made there as Mercosur products. When Argencles in the past two years tina's industry secretary

have shown that when refused to rule out such a ary 1995 and to 70 per cent purely national interests are response. Mr Cardoso called two mooths later, Soon after, on his neighbours to recogoise the importance of domestic politics. A team iocentives decreed by Presi- from Brazil's trade ministry cent in the second half of the has since visited Buenos Aires to "explain" the mea-

> sure. "This was a political measure; it's the oegative side of Brazil's auto regime," says Mr David Wheeler, an analyst at US brokerage Bear, Stears in São Paulo. Mr Wheeler points to ear-

lier examples of the government's willingness to use the motor industry as a means of controlling the wider economy. In September 1994, as part of its economic stabilisation programme, it lowered duties on vehicle imports from 35 per cent to 20 per cent in order to force down prices of locally-produced vehicles. When Brazil's trade hal-

ance plunged into the red at the end of the year, it In Argentina's case, this per cent tariff. quickly relented, raising tar-iffs to 32 per cent in Fehru-tion, export and investment

it introduced quotas designed to cut the rate of vehicle imports by 50 per

Argentina, whose higgest market for vehicle exports is Brazil, was incensed. A diplomatic row bubbled until January 1996, when the countries reached a bilateral agreement designed to set that enabled output to policy for the motor industry until free trade is fully established within Mercosur at the turn of the century.

Under the agreement, manufacturers operating in both Argentina and Brazil may bring vehicles from one market to the other at zero tariffs, provided they send vehicles to the same value in the other direction. In addition, both countries agreed export vehicles to the same to recognise each other's value, giving them a strong domestic policies for the advantage over rival importindustry.

> Brazil's policies had an immediate effect on invest-

facturers operating in Brazil

msy import vehicles from

goods

increase from 90,000 vehicles in 1990 to 470,000 in 1994. In based there - Volkswagen. Brazil's, it meant new mea-Fiat. General Motors and sures designed to attract Ford - have all expanded investments, including tax production or plan to do so. cuts on imports of capital Mercedes-Benz, BMW, Chrysler, Toyota, Honda, Kia and Most significantly, manu-Asia Motors have revealed

Volkswagen, Flat, General Motors and Ford have all expanded production or plan to do so

DE VOLKSWAGEN VENDE

next. In all, Brazil is expecoutside Mercosur at tariffs of 35 per cent, provided they ted to attract \$15hn in motor industry investments by the and of the decade; in the 1980s, investment was runers who must pay the full 70

ning at about \$500m a year. Not surprisingly, Brazil's policies have found strong supporters among manufac-

nlans for Brazilian factories:

Pengeot is expected to be

ment in the industry. The turers. Mr Célio Batalha,

recent years." South Korea and Canada have all raised objections at the World Trade Organisation. This is far from being the only recent occasion on which Brazil bas upset its

big four manufacturera director of government rela-

tions at Ford in São Paulo. describes them as "the most important expression of government industrial policy in Brazil's trading partners have been less enthusiastic. The US, the EU, Japan,

bave shown the government's propensity to waver from its averred commitment to free trade when it sees fit.

Explopicto picto

William Packer 13

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AMSTERDANI

International pressure is unlikely to bave much impact on Brazil's motor industry policies. Consultations at the WTO could drag on for as long as three years, by which time Brazil plans to have reduced its tariffs to 20 per cent.

By then, says Mr Tullo Vigevani, a specialist in international relations at Cedec, a São Paulo research institute, Brazil will probably be firmly established as a global manufacturing base, particularly for cheaper cars.

Several carmakers investing in the country have said their plans include exporting to markets in Mercosur, the rest of Latin America and Europe. There is little doubt that production will increase well beyond the demands of the domestic market. Output ln Brazil was about 1.8m vehicles in 1996, almost a 100 per cent increase since 1990, compared with domestic sales of 1.65m. By the end of trading partners with import the decade, production is restrictions. Measures to protect the textile and toy expected to resch 2.5m industries, among others,

Is Mercosur protectionist? by Stephen Fidler

## Economist's report stirs controversy over trade pact's performance

Experts disagree over whether or not the arrangement serves as an important instrument of trade creation

is Mercosur a protectionist fortress or an open ecocomic zone that is encouraging world trade and economic efficiency? This dormaot controversy was unleashed in October by a paper from Mr Alexander Yeats, principal economist of the World Bank's International

Trade Division. Mr Yeats'a own opinion was clear from his report's title: Does Mercasur's trade performance justify concerns about the effects of regional trade orrangements? Yes!

The findings of his study, he said, "constitute the most convincing and disturbing evidence produced thus far that regional trade arrangements can be detrimental to both member and

The World Bank quickly distanced Itself officially from the view, which was also immediately attacked by Mer-

coospiratorially-minded as a US-in- competitively elsewhere", he con- nomenon of rapidly increasing imports sur. According to this view, the US fears that the would-be customs union of Brazil, Argentina, Uruguay and Paraguay will become the main vehicle for South American economic integration rather than the US-led North American Free Trade Agreement.

As described by Mr Yeats, the fears raised by Mercosur - and by extension the plethora of other such regional trade arrangements - are several-fold. They may divert attention from the more important multilateral negotiation process to reduce trade barriers; they may raise trade barriers against noo members, thereby undermining the achievements of the General Agreement on Tariffs and Trade; and their trade preferences for members of the same group may displace exports (and therefore investment) from more effi-cient third countries, a process known as trade diversion.

After examining the empirical evideoce. Mr Yeats reached the conclusion that Mercosur was diverting trade. The products which were showing tha greatest export growth within Merco sources. This had not occurred: the cosur's member governments. The sur "are those for which Mercosur has growth of Intra-Mercosur imports

ucts - transport equipment, non-electrical machinery and electrical compared with just 50 per cent for machinery - accounted for more than exports. half of the total increase in trade within the region from 1988 to 1994.

The "key point", sccording to Mr Yeats, "is that the regional orientation of exports is growing most rapidly for products where there is no evidence that Mercosur has any natural comparative advantage". He then showed that the tariffs were a principal factor in sucb "perverse" trade changes - and that non-tariff restrictions reinforced these trade distorting effects.

Mr Robert Devlin, chief of the Inte-gration, Trade and Hemispheric Issues Division of the InterAmerican Development Bank, was among those who leapt to the defence of Mercosur. He argued that since its inception in 1991 Mercosur's "open regionalism" has served as an important instrument of trade creation and modernisation.

Mr Devlin argued that if Mercosur was truly diverting trade it would "crowd out" imports from other

spired shot across the bows of Merco- cluded. Three groups of prod- to the Mercosur countries, which had grown 180 per cent from 1990 to 1995,

While the share of Mercosur imports of total imports had risen, from 15 per cent to 19 per cent, so too had the shares of Nafta (from 23 to 24 per cent). the European Union (23 to 29 per cent), Japan and the newly-industrialised countries (8 to 11 per cent), with only the share of a group of less-devaloped countries declining from 30 to 18 per

Moreover, wheo imports are examined sectorally or product-by-product. rather than exports as in the Yeats study, only one sector - fuel, minerals and metals - showed a shift towards Mercosur. Of 250 product categories. two-thirds of products did not change regional orientation between 1990 and 1995, or changed it in the direction of third countries. There was also a low correlation between Mercosur preferences and the change in regional orientation of imports.

Many of the Imports that have shifted orientation towards Mercosur - such as those in the agricultural or

tages. Mr Devlin concluded there was no evidence of trade diversion. Moreover, the unilateral reduction of tariffs to third parties - the average Mercosur tariff on manufactures fell to 12 per cent in 1995 from 25 per cent in 1990 - was with other factors, such as greater economic atablity, preparing Mercosur for the necessary next stage of its opening to the world.

Even supporters of Mercosur, such as Mr Devlin, agree with some of the criticisms. He admitted that the grouping "displayed some troubling imperfections that may be distorting trade". He added: "These merit closer study and Mercosur should be assisted in gradually eliminating them,"

The usual butt of criticism, from the point of view of trade distortions, is the special car regime and the rules covering capital goods, under which Argentina agreed to increase its zero tariff on capital goods imports from outside Mercosur to match Brazil's tariff levels. which were coming down from very high levels previously.

But, even with the car regime, officials argue that the quality and price differentials between Mercosur and the report was even described by the more not demonstrated an ability to export merely captured the more general phe- agro-industrial sectors - could plausi- industrialised countries are signifi-

hly reflect productive or supply advan- cantly lower than existed a few years ago. According to receot estimates from the IADB, some \$7.5bn of planned investment is to be made in the car industry in the next few years. However, much of this, say Argentine officials, was to make up for the lack of investment during the 1980s, Moreover. some 59 per cent of Argentina's vehicle and spare parts imports in 1994-95 came from outside Mercosur, and some twothirds of Brazilian imports, according

to Argentine trade officials. in any case, say officials from the region, it is also dehatable whether Mercosur taken as a whole produces more trade distortions than other groupings such as Nafta or the EU.

Officials also argue that other economic distortions which bave nothing in do with Mercosur have had their effect in encouraging more capital-intensive industry, rather than the labour-intensive processes that would, on the face of it, seem to be encouraged hy a truly open trade regime.

"With the zero tariff we used to have on capital goods and a rigid labour market, it was probably easier for many companies to get capital than to get lahour," said one official in Buenos

# The climate in Brazil is good



With the successful implementation of the Real Plan in July 1994, Brazil is poised to resume the dramatic growth rates of the 1960s and 1970s. Foreign trade (at almost US\$ 100 billion) is climbing rapidly, trade barriers are falling, and forecasted foreign direct investment for 1996/97 surpasses that of the entire previous decade!

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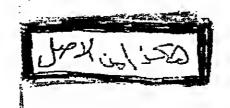
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Concerts/David Murray

Sounds exotic

ing, quite disparate pieces with percussion that Wood under-

certo, all superimposed patterns little like anything else one has and layers, does not sound heard. And unlike, say, Tan remotely African, but African Dun's latest exotica, Wood's piece

Frank Denver's After the Rain more original. Wood is certainly

This "parliament" sounded wonderfully fascinating, and very

bas a clear, palpable structure

(punctuated by tolling church

bells), as well organised as any

t the Barbican on Sun-

day, the pianist Joanna

MacGregor addressed

berself to more familiar

ordinary "symphonic" piece but

exotica, Messiaen's vast, teeming

poignant post-Romantic barmo-

nies, intricate Hindu rbythms,

sensational pianism (derived as

much from Albeniz as from Liszt

and Ravel). It was rather a splen-

did performance, beroically exe-

and accurate in the most furious

pieces, though some stronger

rhythmic thrust would have been

better still. In the contemplative

ones, dangerously drawn-out, her

touch was exquisite and ber sym-

pathy houndless: evidently, she

loves the work. At the end of the

marathon there was great

MacGregor was superbly fluent

cuted without an interval.

Vingt Regards sur l'enfant Jésus:

on to something.

some "African" inspiration stands so well.

Ligeti's glistening Piano Con-

rbythmic drumming is said to

have fired his imagination.

Pierre-Laurent Aimard was the

brilliant, light-fingered soloist.

was more directly inspired by a

Kenyan desert, when a long

drought ended. A violin and a Japanese shakuhachi pursue an

eerie duet, accompanied by a trio

of moaning ocarinas and soft

drumming: exorically attractive,

sbapely, meticulously imagined.

clever 10-minute study in isomor-

pbic rhythms, employing some

standard instruments unconven-

tionally played and several non-

standard ones, with close-to

amplification. It intrigued, and

did not outstay its welcome. The

newest piece, bowever, Wood's

own The Parliament of Angels.

was more expansive, and truly

It was inspired by frescoes

in Bayeux Cathedral which

depict musical angels playing a

variety of instruments - instru-

ments used in distinct contexts

sacred, military, for dancing), applause

exciting to hear.

Thierry de Mey's Frisking is a

behind them.

t was James Wood's extraor- and therefore probably never dinary skill as a percussion- heard together. Wood wanted to ist that first brought him imagine them in conversation; public acclaim, but he has hut first he had to devise become a highly proficient con- modern equivalents for their ductor and composer as well. At obsolete sounds; a cimbalom the Queeo Elizabeth Hall on Fristanding in for the psaltery, day he conducted the London cornemuse represented hy saxo-Sinfonietta in a programme he phone and tuba, etc. The result is called "Sounds of Africa": a a curious band, enriched by a deceptive label for four appeal- multi-national assemblage of the



# Explosive pictorial lives

William Packer reviews the work of Fiona Rae and Gary Hume at the Saatchi Gallery

middle thirties: both were students at the Goldsmiths' College in the later 1980s, where their careers over-lapped and, in 1988, they took part in Damien Hirst's seminal Freeze exhibitions: and both in their time have been on the short-list for the Turner

Rae was successful almost from the moment she left art school. the paint. Hume had to wait a little longer, which in these impatient times came close to being left on the sbelf. But then again there is something almnst old-fashioned in the painterly nature of Rae's work: sometblng that is alto-gether more of the 1990s in Hume's take-lt-or-leave-it conceptual simplicities. To every thing there is a season, I suppose.

The essential difference between them is that the one has evolved and developed in her work by ber engagement with the act and processes of painting: the other uses painting purely as an effective means to his end, which is the statement of the predetermined image, It is the difference between work that grows and is the expression of itself, and that which is the illustration of an idea.

It is not a question of either/or. nor of better or worse, but only of two artists set fairly far apart. Their representation in the Saatchi Collection is in each case retrospective, going back in 1989. and bringing us bang up-to-date. Rae is an abstract painter

whose work carries veiled figurative allusions - a boat, a box, Mickey Mouse - and constant reference to modern art, though the particular homage shifts all the time: now Kandinsky, now Philip Guston, Clyfford Still, late Pic-

iona Rae and Gary torial incidents upon which to Hume have much in improvise. The effects vary, givcommnn. They are ing us sometimes an over-view. painters more or less as though looking down upon a of an age, both in their field or plan, sometimes by conspace, sometimes using flat areas of paint to screen off more close and theatrical a space. The earlier work is looser, more intuitively gestural and Impulsive. The later is more dense and laboured across the surface, with Prize. But there the similarities an evident reliance upon mechanical devices, combing, scraping, dripping, and blotting

> er paintings are never less than interesting, drawing us in despite their unapologetic physicality and awkwardnesses nf bandling, to their curiously violent and explosive pictorial life. We look on, as at a battle or disaster, with a curious mixture of borror and fascination, surprised by an unlooked-for beauty.

They are clever too, perhaps too clever, for Rae is a true daughter of Goldsmiths', always rationalising, always justifying. "Painting is ... problem solving, grappling with the language." she says. But the counter is there and all but recognised, "If you can't solve a painting at first. sometimes it goes out on a limb and becomes really interesting and unpredictable." Quite so. Solution and resolution are not at all the same thing, and she is too bright and real an artist not to sense, if not yet openly to acknowledge, that she has only to trust her intuition.

Gary Hume makes the very point by contradiction, for with him the Idea comes first and last. with the painting no more than its graphic proposition. Andy Warhol is clearly an ahlding influence, but unfortunately the



dead-pan wit. He too can say toon faces or inscrutable signs. "The surface is all you get of me", but the trouble is that he speaks no more than the truth. This surface of bousehold paint, laid on thick, unmediated by any delicacy of touch, variety of texture or graphic flair, is all there is. Only the rationale, the excuse, the "what this work is all about".

Hume first "made work about" doors, hospital swing doors, the support cut to size and painted with simple squares and circles for windows and protective panels. "If you didn't know they

Theatre/Ian Shuttleworth

Decorative abstraction replaces paradox . . . Pattern-making asserts the right to surface, Heads be wins, tails we lose. Since he tired of doors, "having exhausted the theme," he bas turned to other Images, all expressed with the same ham-listedness.

Mussolini's marble athletes in Rome thus inspired "a courageous shift into representation" with a series of schematic figures. "Whether you see the silhouette as erotic, threatening or both, is up to you." Indeed. In his "Begging for lt", a

has nothing to do with paintings as paintings. It is vacuous non-Fiooa Rae and Gary Hume: The Saatchi Gallery, 98a Boundary Road NWS, mutil April 6: oper

masochistic inferences . . . Is

Hume subscribing to the virgin/

whore dichotomy or subverting

the very idea that women can be

split into simplistic categories?"

His "Two Three-Leaf Clovers" "is

a decorative emblem represent-

ing the moment of conception -

or of artistic inspiration." All is

assertion, special-pleading that

asso. The canvas is for her an aspirant lacks anything of the were doors, you might mistake In his "Begging for It", a Road NW8, until April 6: ope arena within which to set up pic master's subtlety and ironical, the symmetrical patterns for carpraying figure has her arms Thursdays to Sundays 12-6pm.

#### Theatre/Sarah Hemming Cosy reminiscences painted black "to encourage sadoecause of threatened

Council was unable to commit money to the tour that was central to Greenwich Theatre's ambitious new production of Oh! What A Lovely War, Thus Matthew Francis, the artistic director, was left with seven weeks to fill, and although Beatrix (first shown at Chichester Festival Theatre last summer is scarcely at the cutting edge of drama, being a stodgily predictable one-woman play, it is given

a tour de force performance hy Patricia Routledge. The monologue, written by Pat-rick Garland and Judy Taylor or delve into their meaning for from the author's nwn words, eatly threads back and forth through Beatrix Potter's life. We meet ber in her 60s on her Lake District farm, hut through reminiscence she gradually shades in the past. Throughout she comes over as a woman for whom commonsense and a keen imagination went hand in hand; by ber death she owned 15 farms and 4,000 acres of land.

But at the same time, she sketches in her other side, the childlike ahllity to fantasise. From an early age, she informs us, she liked to make up stories. She talks us through the creation of some of her most beloved characters and offers advice to would-ba authors: "Have something to say and write with an end in view" (her own first story was written in a letter to a sick child). And what emerges consis-tently is the writer's love of the countryside in all its grandeur and detail. "The only lasting peacefulness is nature," she pronounces, at one point, "and it would be well if children young and old would study it."

Very wise, and wbo would cuts last year, the Arts deny it? Yet there is something so predictably cosy about the whole show that such remarks become terribly cloying. The piece is every bit as tasteful and reverential as you boped that it wouldn't be, and the frustrating thing is that It contains hints but It could have been a far more

interesting play.

eatrix touches on her lonely childhood, her difficult parents, ber dark imagination and attacks of crippling shyness. But the writer. Throughout you are wanting more, and another frustration of the evening is that Patricia Routledge is an actress who could certainly deliver it. But she does plenty with what she has to go on. Her performance is a feat of memory alone - she is on stage for nearly two hours. And although she presents Beatrix Potter as a stout, sensible body, who busies about the stage making scones and rearranging wet clothing, she hrings certain passages in the play so vividly to life that you see the child in the woman - allowing you to visualise the 10-year-old girl dancing in the sunshine on her birthday; or the shy artist taken up to the city in a trap to negotiate doing illustrations for a publishing firm.

Beotrix is followed by three weeks of celebrity performances and the theatre hopes to stage Oh! What A Lovely War in the autumn. Let's hope that it will be able to, and return to its laudably ambitious programming.

Greenwich Theatre, London SE10 to February 15 (0181-858-7755).

TUESDAY FEBRUARY

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resembled progressive-rock dinosaurs in their lengthy, tediously complex and fraudulently pre-arranged pieces; others - notably the form's highest-profile manifestation, the TV sbow Whose Line Is It Anunoau? - were more like speed-punk, being fast, loud and seldom lasting mnre than a few seconds. Tn push the metaphor to a frankly dubious extreme, the One Word Improv company at the

Albery exhibit the strengths of the current British pop/rock scene, Suki Webster is the Mel Spice of the posse: alluring, sometimes a little tentative but with a prodigious talent for "rapping" in pantomime doggerel; Neil Mullarkey maintains an absurd poise throughout à la Jarvis Cocker; Steva Frost is an ageing Shaun

Skilled improvisation (Black Grape) Ryder, cavorting with wild abandon and specialising in depth-charges of vulgarity; and Eddie Izzard contributes the cutting-edge weirdness of the likes of Tricky. Izzard, a man who has more or

less registered the phrase "surreal rambling" as a trademark, might have proved to be the joker even in such a pack; in fact. his propensity for straying from the proper path proves bountiful. Few others would have made the connection between a chainsaw and Arthurian legend, digressed from a schoolroom scene into a contest with Mullarkey to see which of them could do the better impersonation of Deryck Guyler in Please, Sir! or explained his wandering dialect with a visit to the Accent Exchange Board.

dealing with the audience suggesdispose of childishly naughty or ridiculous items in a few seconds in order to allow themselves 10 minutes or longer in scenes generated by more fertile material. Since part of the fun of watching improv is the prospect of seeing a performer stumped, the foursome also takes delight in leaving one another up the creek, though never quite without a paddle. (Frost, for instance, shows a steely determination to annoy izzard by smudging his lipstick.) At other moments they seem dis-armingly like a bunch of children mapping nut the rules for "Let's

The enjoyment of improv comedy rests on generosity: perform-

The team is experienced at ers are prepared to find themselves being momentarily crappy tions which fuel the show: they and audiences willing to watch them being so, but to bear with them on the understanding that things move so quickly that their mistakes will seldom catch them up. The One Word quartet has no trouble in establishing such a compact as a foundation for two hours of don't-stop-to-think laughter. Moreover, despite the techno tapes and lighting which open each half, they plainly have the souls of rockers: the opening night was rounded off with the wanton destruction of their only props, four wooden stools, in finest Pete Townshend style.

> At the Albery Theatre, London WC2, until March 16 (0171-867-1115).



Eddie Izzard: provides the cutting-edge weirdness

PARIS

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Nauman, ranging from

"phitigrapheis" and film-

Centre Georges Pompidou Tel:

based on the audiovisual work of

installations in the 1960s, to the

Théâtre National de l'Opéra -

Debussy. Conducted by James

Orchestre et Choeurs de l'Opéra

National de Paris. Soloists include

Russell Braun, José van Dam and

Victor von Halem; 7.30pm; Feb 7

Pelleas et Mélisande: by

Conion, performed by the

Opéra Garnier Tel: 33-1 42 66 50

video installations in the 1970s; to

Bruce Nauman: exhibition

EXHIBITION

**OPERA** 

# INTERNATIONAL **ARTS**

#### AMSTERDAM

**EXHIBITION** Amsterdams Historisch Museum Tel: 31-20-5231822 Peter de Grote en Holland: exhibition of objects collected by tha Russian Tsar Peter the Great (1872-1725) during his stay in Holland. Included are paintings by 17th century Dutch masters, scientific instruments, personal belongings of the tsar and many other objects. The exhibition was previously shown at the Hermitage in St Petersburg; tn Apr 13

#### BERLIN

CONCERT Konzerthaus Tel: 49-30-203090 Berliner Sinfonie-Orchester. with conductor Jan Krenz and trumpeter Gábor Tarkövi perform works by Berlioz, Hummel and Lutoslawski; 8pm; Feb 6, 7, 8

■ DUBLIN EXHIBITION

Irish Museum of Modern Art Tel: 353-1-6718666 Louis Le Brocquy: Paintings 1939-1996: retrospective comprising of more than 90 paintings by one of ireland's best known artists, including a number of early works and group portraits; to Feb 16

#### **■ JERUSALEM**

EXHIBITION Israel Museum Tel: 972-2-6706811 Empire of tha Sultans: Ottoman Art from the Collection of Nasser D. Khalilit this exhibition of Ottoman art from the collection of scholar, collector and benefactor Dr Nasser D. Khalili aims to reveal the rich artistic heritage of a dynasty which spanned more than six centuries. Comprising some 200 works, including a selection of calligraphy, Qur'ans manuscripts. arms and armour, metalwork, ceramics, textiles and scientific instruments, every aspect of life in the Ottoman Empire is explored, from military achievements to religious devotion; to Jun 1

#### LIVERPOOL

EXHIBITION Tate Gallery Liverpool Tel: 44-151-7093223 Characters and Conversations. British Art 1900-1930: display exploring the crossover between the Tate's British and Modern collections. The exhibition investigates the image and self-Image of British artists who considered themselves modern

artists during the period 1900-1930. Tha artists represented includa Henry Tonks, Gwen John, Christopher Nevinson, Sylvia Gosse, Walter Sickert and David Bomberg; tn

#### LONDON EXHIBITION Institute of Contemporary Arts

ICA Galleries Tel: 44-171-9303647 Belladonna: group show axamining fin de siècle representations of horror and romance. Artists include Andreas Gursky, Paul Thek, Jeff Koons, Liza May Post, Bridget Riley, Anish Kapoor and Elizabeth Wright; to Apr 12 Whitechapel Art Gallery Tel: 44-171-5227888 Tony Cragg: exhibition featuring new work by the British sculptor. Cragg's work often employs found materials and this show reflects recent experiments in his art; to Mar 9

#### OPERA Royal Albert Hall Tel:

44-171-5898212 Carmen: by Bizet. Conducted by Barry Wordsworth, performed by the BBC Concert Orchestra. Soloists include Yvonne Fontane, Klare Uleman, Justin Lavender, Alan Woodrow and Virginia Kerr; 7.30pm; Feb 8, 7, 8, 9, 10, 11 (also 2.30pm)

#### MUNICH

EXHIBITION Haus der Kunst Tel:

designer Charles Rennie 49-89-211270 Richard Lindner-Mackintosh. The centrepiece of Ratrospektiva: the first large-scale the exhibition is the Ladies exhibition of the illustrator and Luncheon Room from Miss Cranston's Ingram Street Tea pop artist since his death in 1978. Rooma - nna of Mackintosh's fnur On display ara 66 pieces, covering his early work from the 1940s through to later paintings where he used bold colours to commissions for Miss Cranston. The room, which has not been seen sinca it was dismantled in 1971, is restored for this recreate everyday images; from Feb 7 tn Apr 27 exhibition: to Feb 16

#### NAPLES EXHIBITION

Museo di Capodimonte Tel: 39-81-7441307 Continuitá: exhibition featuring a large group of 20th century artists from the collection of the Stedelijk Museum, Amsterdam. On display are works by Van Gogh, Matisse, Picasso, Chanali. Mondrian, De Kooning, Nauman. Warhol and others: to Apr 6

#### ■ NEW YORK **EXHIBITION**

Brooklyn Museum Tel: 1-718-638-5000 A Different Reality: Symbolist Prints From the Collection: exhibition featuring more than 80 works on paper from the late 19th and early 20th centuries. Different aspects of Symbolism are represented by artists including Gauguin, Vuillard, Redon, Whistier, Munch and Beardslev: from Feb 7 to May 4 The Metropolitan Museum of Art Tel: 1-212-879-5500 Charles Rennie Mackintosh:

surveys the entire career of tha

20th century architect and

#### ■ SAN **FRANCISCO**

CONCERT Louise M. Davies Symphony Hall Tel: 1-415-864-6000 San Francisco Symphony: with this exhibition of about 250 works conductor Yuri Ternirkanov and pianist Barry Douglas perform

works by Sionimsky, Beethoven and Rachmaninov; 8pm; Feb 5, 6 (2pm), 7, 8

#### EXHIBITION

SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 Katharina Fritsch: the first solo museum survey of work by the young German sculptor, who represented Germany in the summer 1995 Venice Biennala. Fritch'a work responds to the formalist notions embodied in minimal and conceptual art. She bases her sculptures on relics of ordinary living, including trinkets, household objects, souvenirs, and toys; to Mar 11

#### ■ WASHINGTON EXHIBITION The Phillips Collection Tel:

1-202-387 2151 Impressionists on the Seine: this exhibition explores the origins and context of Renoir's painting Luncheon of the Boating Party of 1880-81, for which no preliminary studies exist, by assembling works related in subject and style from the preceding decade by both Renoir and his contemporaries. The exhibition features 60 paintings from international collections by auch artists as Renoir, Monet, Manet, Pissarro, Caillebotte. Morisot and Sisley; to Feb 9

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Financial Times Business Tonight

European Money Wheel

**Martin Wolf** 

# Laced into a Tory corset

Labour will find it impossible to deliver better public services, having committed itself to the government's restrained spending plans until 1999

'No one pretends that How plausible is this? The democracy is perfect or allwise," Sir Winston Churthree biggest areas of public chill told the House of Comspending are social security. mons almost exactly 50 health and education. years ago. "Indeed it has Together they account for 60 been said that democracy is the worst form of government except all those other forms that have been tried from time to time. The spproach of elections in the UK's mature democ-

racy makes the most devoted adherent appreciate how bad those others must be. But nothing is quite so dismal as the debate on taxes and spending in which the Labour party bas now committed itself to some implausibly tight targets. If Labour - new or old stands for anything, lt is better public services. Yet Mr Gordon Brown, the

sbadow cbancellor, has stick to the spending plans for 1997-98 and 1998-99 that were set out by Mr Kenneth Clarke in his November Budget. Consider a few nasty facts public sector wages.

about those plans for public spending: the real rise in overall spending between 1996-97 and 1998-99 is 0.7 per cent; in non-cyclical public spending it is 0.9 per cent; in spending on bealth, 0.3 per cent; in spending by the Department for Education and Employment, minus 9 per cent; and in local authority self-financed

spending, it is zero. The only important area in which spending is expected to grow significantly is non-cyclical social security, up 3.7 per cent over the three financial years.

Over the past two decades public spending has tended to grow roughly in line with gross domestic product. This financial year the share is expected to be 41% per cent, low by UK standards - and extremely low by those of the EU where the average is now some 50 per cent of GDP. Nevertheless, a decline is forecast by the government, to 39 per

C

It iust doesn't add up.

The world is making more land-

Unfortunately the problem isn't just

Every month over two thousand

nocent civilians are maimed or killed

mines than it can ever hope to clear.

per cent of public expenditure, up from under 50 per cent in the late 1970s. As the Institute for Fiscal Studies showed in its Green Budget, published in October, social security spending has grown at around 3.5 per cent a vear in real terms since 1978-79, bealth at 3.4 per cent a year and education at roughly the same rate as the

Evidently, historic rates of growth for bealth and education, in particular, are vastly higher than the plans Labour has now embraced. Meeting the government's targets will also require continuing constraints on the public sector pay bill and on public investment. Since pay settlements in the pub-lic sector have been in line with those in the private sector, there is no reason to expect a sudden surge in

The question is rather wbetber governments can maintain the squeeze on numbers of public sector employees, which have fallen continuously from 6.2m in 1985 to 5m in 1995. range of services available this year and 2½ per cent in Similar questions arise about net public investment, which shrank from 2.3 per cent of GDP in 1992-93 to 1.2 per cent in the economy. 1996-97 and is planned to fall

to below 1 per cent of GDP by the end of the decade. Over any two-year period it may be possible to put spending in a tight corset. But if it is too tight, the wearer will die of asphyxiation. That is also the risk

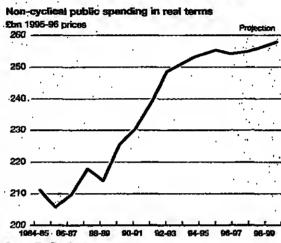
ment, wages, social security, health and education can be kept on a low growth path only by delivering worse services or making radical policy changes. Why are these the alternatives? They follow from the underlying characteristics of the core public sector activities: As they grow richer, people want to spend a higher proportion of their incomes on education and bealth. Education and health are labour-intensive services in which machines cannot

Public spending on invest-

human labour. Ageing increases demand for bealth services and social security transfers. • Technical progress in healthcare increases the

easily be substituted for

#### Mr Brown's implausible targets



WANT THE COON NEWS?

00,000 landmines

**OR THE BAD NEWS?** 

0.000000 Landmine:

countries around the world.

international humanitarian law.

The weapons are in clear breach of

That's the reason why the later

national Committee of the Red Cross

is committed to a worldwide ban on the

more than it reduces the 1997-98. A deficit of no more cost of existing services. Infrastructure spending has to grow about as fast as

 Where infrastructure services are free, as in health, education and roads, payment must come from taxation. Whether the supplier is in the public or private sector is irrelevant. One way to deal with the

rapid growth in spending on the core services would be to force people to pay. There could be charges for visits to the doctor or hospital and fees for state schools. Education could even be priva-A second approach would

spending will tend to rise at least as fast as GDP. In that case, tax revenues will also have to rise that quickly. A third - but dishonest approach is to promise both to improve the quality of public services ond maintain a ruthless squeeze on

be to admit that public

public spending, without changing what people are required to pay. The first two are the choices no politician wants to confront. So they choose the third. Labour is expected to improve public services. If it cannot do that what is the good of it? But it

spending squeeze that can-

not be consistent with that

It has done so to bury the "tax and spend" charge forever. However, it is unlikely even to achieve that. True, it may be possible to persuade enough of the people until the election. But even if Labour could keep to Mr Clarke's imaginative spending plans, it would almost certainly have to raise taxes by up to 2 percentage points

This is because the government's plans still involve a higher public deficit than is prudent. The general government deficit is expected to be 31/4 per cent of GDP

than 21/2 per cent of GDP is essential if the next government is to avoid an increase in the ratio of public debt to

But the deficit needs to be reduced to below 1 per cent of GDP if the UK is to meet the terms of the European Union's stability pact for the single currency or schieve the so-called "golden rule", which restricts borrowing to net public investment.

The economy has been expanding for about five years so it would be bold to assume that it is still operating much below capacity. A structural fiscal tightening of up to 11/2-2 percentage points of GDP is needed therefore. Fiscal tightening is also needed for counter cyclical reasons, to weaken the case for higher interest

If a Labour government did not stick to Mr Clarke's spending plans, the fiscal adjustment might have to be still higher. For example, if public spending grew in line with GDP over the next two years, a further deficit of some 1 to 11/2 per cent of GDP might need to be covered. The overall fiscal adjustment would then have to be 3 per cent of GDP about £25bn in current prices. Perhaps the threathas felt obliged to accept a ened rise in spending could be avoided for a few years. But, without radical reform, spending is almost certain to surge thereafter - well within a parliamentary

> term. Labour can pretend to be able to improve public services, deliver implausibly tight public spending and avold substantisl tax Increases. But It is most unlikely to succeed over a full term. It would then face the charge that - implicitly at least - it lied,

> Swallowing Mr Clarke's bait may indeed belp New Labour win the next election. It could already have lost it the one thereafter.

Personal View · Lamberto Dini

# The Roman road

Italy's flexibility plan could make the EU work better but is no substitute for integration



towards the east.

ltaly believes is the way ahead for the European Union as it embarks on economic and monetary union and sets the pace for enlargement

To have some groups of states proceeding faster than others is not necessarily going to destroy the solidarity of the Union, but their modus operandi needs to be carefully defined.

That is why I have submitted to our partners in the intergovernmental conference a comprehensive set of proposals which spell out how such flexibility may be implemented, and the principles on which it should be

The EU is formed by member states with equal rights and equal obligations; this will remain its essential character. Flexibility should be the exception rather than the rule: it will vest no one with a veto, and will operate through procedures adopted by the EU as a whole.

There should be a general clause in the revised Maastricht treaty allowing flexible arrangements, and setting down three essential principles:

· They must not put in question the acquis communautaire, the body of legal agreements which represents the main building blocks of the Union.

 They must take place within the established institutional framework of the

participation by all member avolding any risk of discrimination. Flexibility should not

apply to the core areas of citizenship rights, freedom of pating states in areas subject movement, the common agricultural policy, competition, trade and cobesioo policles, in other areas, flexibil policy, the so-called second

ity can operate without predefined limitations. But in deciding to pursue such a course, care must be taken to safeguard vital interests. while not impeding progress.

The Italian proposal would give the European Commission the exclusive right to that flexibility submit proposals to the is the way Council of Ministers for such "differentlated integration", as I would prefer to call it. All states have national interests - and if a particular group of "core" or strong states were able to advocate flexibility, EU aims and policies could be distorted.

Before making any proposal, the Commission sbould evaluate whether the proposed arrangements are consistent with EU policies. what their impact will be on all member states, and bow states unwilling or unable to participate can do so later. The Commission, as the guardian of the treaties, is ldeally placed for this task.

Any flexibility proposal would have to be approved by the Council of Ministers there would be no direct rule from Brussels on this. The Council would vote on such a proposal by qualified

To insist on unanimity in such cases would be tantemount to giving s permanent right of veto to any member state, which would defeat the purpose of a flexihle arrangement. Flexibility should be neither the instrument of a minority to forge ahead by marginalising otbers, nor a weapon for a minority to binder initiatives pursued in a restricted framework with majority

Flexible arrangements would be implemented within the present institutional framework of the EU. This means that the Commission, the European par- They must be open to liament and the Court of Justice would retain their states at any time, thus full authority over such areas. Only in the Council of Ministers would "variable geometry" apply, with voting restricted to the particl-

> Similarly, flexibility

to flexibility.

pillar of the Maastricht treaty. Member states which wish to move faster towards co-operation on security, defence and armaments currently in the domain of the Western European Union Brinking over C

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- should do so within the existing institutional framework.

In justice and home affairs, the third pillar, the main priority will be to extend the opportunities for a limited number of countries to reach agreements such as the Schengen treaty, which has allowed several member states to dismantle border controls.

Flexibility is not a substitute for integration and should not aim at transforming the EU - it should be seen as a way of making it work more efficiently. It will give due account to what will increasingly become an extremely varied, if dynamic, pattern of cooperation and interests. It will have to balance diversity with cohesion: no member state will be allowed to block it and none will be able to hijack it for its own interests

This is why the Italian proposals provide for both effective decision making through majority voting in the Council - and for consideration of the general interest by clearly defining the areas of application and the procedures. By giving the Commission the exclusive right to propose initiatives, they ensure that flexibility wherever it is introduced, will not run counter to the grain of European cooperation.

"Differentiated integration" is designed to play an important role in helping Europe evolve towards an "ever-closer Union", and will not trigger its fragmentation, as some may fear, Italy's proposals aim at clarifying the principles and setting up appropriate procebalance between the aspirations of those who would like to leapfrog Into the future, and those who are more cautious.

should not apply to foreign The author is Italian foreign

# ·LETTERS TO THE EDITOR · ·

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## Glaxo board move flouts governance code

From Lord Ecro.

Sir, The code on corporate governance, propounded by the Cadbury Committee in 1992, bas been dealt a severe blow by the decision of the Glaxo Wellcome board to appoint an executive chairman ("Glaxo to axe nonexecutive chairman post". January 31). This would create just the sort of concentration of power which the Cadbury Committee was at pains to prevent and could potentially weaken the position of sharebolders, particu-

larly in times of difficulty. If the voluntary code is to be so easily flouted, and by such a leading company, the question arises of whether a more formal two-tier structure for the boards of British companies should be reexamined. I have served on

the supervisory board of a Dutch company and found relations between nonexecutive and executive directors were much clearer. In the UK there is considerable variability, even now after five years of Cadbury, in the role which con-

executive directors play. in the Netberlands there can be oo doubt about it. The chairman of the management board is chief executive and runs the company with his execulive directors. They are, however, responsible for the management of the company to the supervisory board of non-executive directors under their chairman, who presides both at board meetings and at the agm. Having a clearly

vent companies from running into difficulties. It means, however that ooce they do so, there is, in my experience, more likelihood of the difficulties being identifled earlier and of relations with shareholders, banks and other creditors being handled more effectively

than if the management oo their own had to do it. I know the Confederation of British Industry has recently rejected the idea of two-tier boards but what has now happened at Glaxo Wellcome calls for this concept to be recoosidered. Derek Ezra,

House of Lords. London SW1A OPW, UK

From Mr Hugh Arthur. Sir. I refer to your corporate governance at Glaxo Wellcome ("Glaxo to axe non-executive chairman post", January 31). Dependence on overseas provinces for reve-

nue...concentration of power in executive chairman - is Sir Richard Sykes perhaps seeking to model the Glaxo empire on any of the examples to be found in The Cambridge Ancient History. the complete set of which I see from your photograph lines the shelves of the com-

pany boardroom? At least the annual general meeting has prudently been fixed to take place in May rather than March!

Hngb Arthur, 11 Wansford Close Brentwood. Essex CM14 4PU, UK

#### Concern should be to cut own taxes

defined supervisory struc-

ture does not, of course, pre-

From Mr Bryan Cassidy

Sir, Lionel Barber highlights French and German concern over "beggar-myneighbour" tax policies ("EU ministers open fire on tax poacbers", January 31).

Too high tax levels are yet another aspect of the uncompetitiveness of the French and German economies. Like the taxes on jobs (euphemistically called social charges) which those countries levy. too high rates of income tax and corporation tax are driving business away.

The EU becomes less and less competitive against the US because the wrong conclusions are drawn by the likes of Mr Theo Waigel, the German finance minister, and his French opposite number. Mr Jcan Arthuis. The correct analysis is that

French and German tax rates need to be brought into line with more competitive tax rates in countries such as the UK. the European parliament the

We are starting to hear in use of the phrase "fiscal dumping" in the same way

as we have become accustomed to hearing about "social dumping". The use of both phrases indicates a head in the sand attitude to two of the most pressing problems which France and Germany have - uncompetitive tax rates and uncompetitive labour rates.

Bryan Cassidy, MEP, Dorset and East Devon. European Parliament,

Burean 827 Van Maerlant. 97-113 Rue Belliard, 1040 Brusseis, Belgium

#### Utilities are allowed over-generous returns

From Mr Gareth Thomas. Sir, The FT500 (January 24) contained some alarming points for the customers of the monopoly utilities in the UK. In particular:

 Electric and water utilities in Britain enjoy a return on capital employed averaging 17.6 per cent. • This puts them 29th out

of 48 sectors. It is about the same as retailing, and higher than, for instance, textile products, oil, office equipment, building materials and paper and paper products. in the US, electric and

water utilities are, by the same measure, 40th of 43. In Japan 43rd of 44, in Europe as a whole 37th of 44. Why does the regulator

regime allow such generous returns in the UK? Utilities are monopolies. As the Monopolies and Mergers Commission said of the water industry, it "is one of relatively low risk given the almost absolute lack of actual and potential competitors". A reasonable pricing formula might be built on the cost base of the most cfficient supplier (not necessar-

ily in the UK). It should allow returns in inverse proportion to the extent to which that benchmark was exceeded, subject to an overall limit (a modest real rate

of return sufficient to attract capital). Such a formula would have a more profound and beneficial long-term impact on the utilitles' real efficiency and on their customers than Labour's proposed windfall tax.

Gareth Thomas, 13 Rayleigh Road, London SW19 3RE, UK

#### Loser may be social priorities

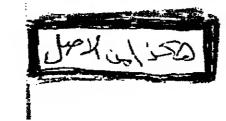
From Ms Christine Whitehead. Sir, Simon Kuper's article.

A leap in the dark with microloans" (January 31), provides a good overview of some of the debates around microcredit. However, be is inaccurate in stating that Ben Rogaly and Oxfam argue that microcredit "could divert funds from less fashionable anti-poverty causes such as famine

Oxfam's concern is that an over-emphasis on microcredit could lead to funds being diverted from social priorities such as health and education. We do not see it as competing with famine relief.

Microcredit should not be seen as a stand-alone, antipoverty formula, but rather part of a broader, integrated strategy for combating pov-

Christine Whitehead. senior policy adviser, Oxfam UK and Ireland. 274 Banbury Road. Oxford OX2 7DZ, UK



LANDMINES MUST BE STOPPED

The party

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday February 4 1997

Brinkmanship

over Cuba

The European Union and the US the net effect has been minimal

to be vain.

But any bope of persuading a Republican-dominated Congress

to repeal the legislation is likely

The US administration has

blocked establishment of a WTO

dispute panel, arguing that the

act is dictated by national secu-

rity, and is therefore beyond its

remit. That is surely wrong, A

trade embargo on Cuba might

be justifiable on such grounds,

but retrospective action to

claim damages for past foreign investments scarcely qualifies.

trade commissioner, is seeking

to bring matters to e head by

calling on the WTO itself to

nominate a panel. The organisa-

tion cannot refuse. But there is

a danger thet Washington will

be tempted to block it, or to

defy any ruling which goes

against lt. Either way, respect for the settlement procedure

It is certainly not easy to see

how e solution can be found

which persuades the US to back

away from ill-advised legisla-

tion, without unacceptably los-

ing face. The EU member states

went some way at their Dublin

summit in December, by calling

for more democracy in Cuba

But it will not help to bring

matters to a head too soon in

the WTO. Sir Leon may have

right on his side, but he needs

to allow more time for cool

would be severely damaged.

Now Sir Leon Brittan, the EU

are involved in a dangerous

game of brinkmanship over for-eign investment in Cuba. The

danger is that if neither side

blinks, the loser will be the

World Trade Organisation in

SDAY FEBRUARY

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general and its disputes settle-THE REAL PROPERTY OF THE PARTY ment procedure in particular. Mark or on That system, intended to be THE MALE THE STATE OF THE STATE binding and universally A CALLEY CONTRACTOR DESCRIPTION DESCRIPTIO respected, was one of the most important achievements of the 12764 Uruguay round of trade liberal-Greeties of Patient & isation. At this early stage in its The rate of the same of the same of existence, it needs to be propose. reinforced, not undermined. Appendix of a sink concern to The key to the problem is the and Manager to the state and be the silly and indefensible Helms-Sept. Sept. 100 - Burton Act, which authorises The Space of the state of the s private US court actions against foreign companies doing business in Cuba. That legislation 75. 1. 257 the b bas been rightly condemned well beyond the EU for its

inni opinistel a

be ruled out of court by any WTO dispute panel. Having said which, it must be recognised that President Bill Clinton has e real political problem over the act. He approved it, after initial besitation, when two aircraft were shot down by Cuban missiles in the run-up to the US election campaign. Since then he has managed to draw its teeth, by waiving its most

over the weekend by leading

members of the Czech and Pol-

ish governments showed a wel-

come realism about the time-

table for EU enlargement. Mr

said "2002, not earlier".

pean spokesmen usually do.

diluted the already weak sense

of urgency on the EU side. Even

to complete the accession pro-

cess for the three countries

mentioned by 2003 will require

an enormous effort on both

sides, given the procedural and

On the EU side, traumatic

decisions have to be taken

about the size of the budget, the

redistribution of resourcee

through the atructural funds,

substantive issues involved.

attempt to impose politically-

inspired US laws on the rest of

the world. It amounts to a bla-

tant example of extra-territorial-

ity, which would most probably

The EU queue The statements made at Davos larger union. On the candidate side, post-communist societies have much greater adjustments to make than did even post-fasclst ones like Spain and

Vladimir Dlouby, the Czech Mr Dlouhy rightly pointed out trade and industry minister, that these adjustments, howgave 2002 or 2003 as the likely ever economically desirable in date of accession for his counthe long term, will have severe social costs in the short, and could easily provoke a "Eurotry. Mr Grzegorz Kolodko, the Polish deputy prime minister, scentic" backlash in the candi-These statements provide a, date countries if the EU is not useful corrective to the voluntaclearly seen to be pressing rism of President Jacques Chiahead. Sir Leon Brittan's recent proposal to exempt central and rac who, on recent visits to Poland and Hungary, told those east European products from countries they could join the EU the EU's anti-dumping regime by the year 2000. Indeed, Mr (now the main obstacle to mar Kolodko admitted that Poland ket access for non-agricultural goods), provided they enforce itself could not meet the membership criteria by that date, EU rules on competition and instead of blaming the EU for state subsidies to industry, is a its slowness as central Euroconstructive one. Member states must be ready to resist the fore-It would be unfortunate, howseeable opposition to it from producer lobbies. ever, if these statements further

Perbaps the most difficult issue is one touched on by Mr Kolodko, who doubted whether all 10 central and east European candidate countries would succeed in joining the EU even if they met the criteria. The EU must act to dispel that impression. Economic problems will no donbt ensure that there are different timetables for different countries. But neither Balkan nor Baltic atates must be and the financing of agriculture, allowed to feel that the EU has as well as the institutions of a rejected them sine die.

# Euro-jibes

Mr John Major, the UK prime minister, once boasted that he wanted to be at the heart of Europe. It is beginning to seem as if he wants to be there as e cardiac surgeon, performing e

transplant. Yesterday, his party launched e new scaremongering campaign alleging that Labour's support for the Maastricht treaty's social chapter would cost the UK hundreds of thousands of jobs. Mr Major may well find valid arguments against strands of EU social legislation when he delivers a follow-up speech in Brussels today, but who will listen? The Tory campaign about the union has become so raucously negative that any serious points are drowned in the

adverbs. In this vein, Mr Malcolm Rifkind, the foreign secretary, thundered from Sweden yesterday against the dangers that proud nations might be reduced to the status of parish councils. Mr Rifkind says he wants closer co-operation in Europe, But who will hear that quiet note against the trumpets of his scorn for the "political classes" who want

integration into a superstate? As the Tory mood music becomes ever more dissonant, it has at least drawn a welcome response from the opposition. Mr Robm Cook, Labour's foreign affairs spokesman, took a cautious but significant step at the weekend towards European monetary union. Although his view that Britain would join

eventually bristled with caveats, they were expressed in a language which Britain's EU partners could translate into

more than electoral ballyhoo. Nobody now expects the UK to join Emn at the earliest date in 1999, but there is e big difference between saying you could join eventually and being seen by other EU countries as a definite "out". It is the difference between waiting until the conditions are right to join the game and throwing sand in the eyes of continental players. It is also the difference between a drift towards complete isolation from the rest of Europe, culminating in withdrawal, and the possibil-

ity of engagement. Labour has its own difficulties with party Europhobes, reflected in Mr Cook's caution. Moreover, the distance between the two parties' "wait and see' approaches is not large in formal terms. Both parties retain the option to join in a second wave, perhaps in 2002, when the

euro becomes legal tender. But there is a world of difference between the two parties' rhetoric - one suggesting cau tious consideration and the other querulous dislike of the whole project. If the Conservative government turns the election campaign into a diatribe on Europe, it will do serious damage to Britain's interests. By adopting a more constructive tone, Labour could go some way to offering British voters the

choice they need on Emu.

#### **COMMENT & ANALYSIS**

# Unfair advantage

Brussels is under pressure not to question privileges enjoyed by Germany's Landesbanks, say Emma Tucker and Andrew Fisher

ver since Prussian times, Germany's Landesbanks have enjoyed a privileged status. Underwritten by unlimited state guarantees, they have been among the elite of banks with top credit ratings able to borrow at the most favourable interest rates to finance their business.

But a simmering dispute over capital injections io the early 1990s into these state-owned regional banks has led their private sector rivals to demand an investigation by the competition regulotors in the European

Brussels is resisting the call under intense pressure from the German government which is anxious not to disturb Germany's cosy banking structure.

At a meeting a year ago between Mr Karel Van Miert, the competition commissioner, and Mr Helmut Kohl the German chancellor made clear he did not want the Commission to interfere with guarantees for state-owned banks. Any move by Brussels would call into question the position of Germany's savines banks for which the Landesbanks perform essential services such as payments transactions and securities dealings.

Mr Kohl's intervention was also aimed at reassuring the German public, which is still sceptical of European monetary union and the planned replacement of the D-Mark. Any move affecting the savings banks, which enjoy great public confidence, could add to such doubts. However, other European

banks have started to criticise the advantage the Landesbanks heve gained from their state guarantees. "Britisb and French banks also feel they have been put at a competitive disadvantage," says Mr Wolfgang Arnold, deputy director of the German Banking Association which represents 300 banks including such financial giants as Deutsche Bank and Dresdner Bank. "This is an international, not just a national, matter. Huge sums are involved and the competitive distortion is considerable."

The specific complaint by Germany's private banking association was lodged in December 1994 which asked the Commission for a full-scale investigation into the way six of the 12 Landesbanks received equity capital through housing development funds. The many's third largest, based in

WestLB has been growing rapidly in such areas as securities trading, corporate finance and expansion-minded bank says its serve its clients, which include big companies as well as state and local authorities.

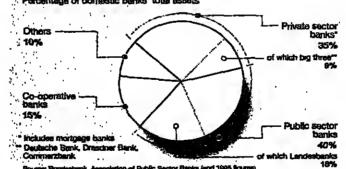
have had to pay and gave them tough international markets, Mr Arnold notes, lending and borrowing margins are razor-thin make a hig difference.

the state banks of Lower Saxony. Berlin, Schleswig-Holstein, Hamhurg and Bavaria. The transfer of funds to these Landesbanks had been made "without the consideration usual in the market", it says, and was thus state aid under European law.

common market.

In a speech in 1995, Mr Van Miert said: "It is of fundamental importance that all banks may investment banking where it enter into competition under the competes strongly with private same conditions . . . state guaran-

Germany's wealth of banks Percentage of domestic banks' total asset



tees, which are neither limited in time nor in amount, and which growth at bome and abroad is to are granted to public credit institutions like Landesbanks and Sparkassen (savings banks), can create a comparative advantage with respect to the banks' activi-

ties on the financial markets."

WestLB and the public sector

banking association reject the

private banks' arguments, claim-

ing that calculations purporting

to show how they benefited from

the housing funds were mislead-

ing (see below). The bank says

directly for normal husiness.

funds are not available

However, the private sector

banks say the housing funds

have added to the Landesbanks'

capital and can thus support an

expansion of their husiness. The

complaint from the private sector

banks says that "a private inves-

tor would not inject DM4hn of

extra capital into a bank compa-

Determined to press its case,

the German banking association

has indicated it will go to the

European Court if the Commis-

sion does not act. A series of

meetings - the most recent two

weeks ago - has failed to reach a

rable to WestLB".

The bankers' association argues that the cost of the capital injected into the six Landesbanks was well below what they would an unfair advantage, in today's and any advantage enjoyed by a particular hanking sector can

The complaint also mentions

Article 92 of the Treaty on European Union states: "Any aid granted by a member state or through state resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of cermain target of the complaint is tain goods shall, in so far as it Westdeutsche Landesbank - Ger- affects trade between member states, be incompatible with the

By far the biggest sum went to WestLB, which obtained DM4bn when the state-owned Institute for the Promotion of Housebuilding (WfA) was integrated into the bank in 1992. The WfA provides low-interest loans for bousing projects. While WestLB cannot use the money directly for other business, it can raise funds

Ernst & Young, the international accountancy group, says the capital injection through the WfA funds was a "distortion of competition". Because WestLB does not have private shareholders, the extra business it obtained through the capital increase did not have to earn such high returns as would be the case with commercial banks.

"It was and is possible for tion is unacceptable."

The accountancy group says private banks gave their share-

They also dispute that the state guarantees are illegal, pointing out that most of them were in existence long before the Treaty of Rome was signed in 1957 - and are thus technically legal. Germany's traditional hanking system also has benefits for its

transgressions would be glossed

over, have not allayed their fears.

politicians. Many of them sit on the boards of the Landesbanken where they exert influence over lending activities - securing backing for community projects they favour. However in Austria, where e

similar structure exists, the government has recently promised to introduce a law that would force publicly owned banks to pay for their state guarantees.

Mr Jacques Santer, the European Commission president, told European heads of state gathered in Dublin in December that completion of the single market, without the distorting effects of state aid, "should be pursued with as much determination as has been shown for the single currency".

Mr Van Miert may be under Even Commission reassurances pressure to shelve the issue, but ompromise. that changes would be phased in Germany's private banks look. The dispute between the public over long periods, and that past unwilling to allow this to happen. Germany's private banks look

# Banks cry foul over rates

In a report produced for the

and private banks that has now

reached Brussels does not go into

the broader question of the guar-

antees extended to the Landes-

banks. But the issue of state

guarantees for banks bas long

been a matter of concern at the

State-owned banks in other EU

member states - such as Crédit

Lyonnals in France and Italy's

Banco di Napoli - have been the

subject of government rescue

operations in recent years, Offi-

cials in the competition director-

ate have become concerned thet

guarantees are being used to

channel state aid to such banks,

and have drawn up a draft set of

According to the draft rules, a

guarantee does not count as state

aid if it is limited in time and in

amount, given to a sound com-

pany and paid for. It is this last

clause that most worries the Lan-

desbanken: they fear the fee they

would have to pay in return for

their state guarantee would

keeps bankers awake at night,"

"This is the kind of issue that

rules clarifying the law.

reduce their profits.

says a Brussels lobhyist.

ig sums are at stake in private banking association. the dispute between Germany's private and public sector banks. The former allege that the latter received DM11.4bn (£4.2hm) of capital at preferential rates. The Landesbanks say the cost of this capital did not give them an unfair advantage.

against the extra capital and thus increase its lending volume.

WestLB to grant credits to customers at better terms and conditions than comparable competltors," the report says. "For competitive reasons, this situa-

holders en everege annnal return on equity of nearly 17 per cent before tax over the 10 years to 1992. This comprised almost 6 per cent in dividends and nearly 11 per cent in share price rises.

The estimated costs incurred by WestLB for the capital increase when it acquired WfA were about 8 per cent. Of this. 1.1 per cent (or 0.6 per cent after tax) was peid directly for the WfA capital plus about 7 per cent for raising funds on the capital markets on the basis of this

This gave WestLB e cost advantage over the private banks of nearly 9 per cent in raising this capital, says Ernst & Young - equivalent to some DM350m a year.

#### Towering Intellectuals

■ No shortage of candidates to succeed Arpad Bogsch as director general of the Geneva-based World Intellectual Property Organisation

The idiosyncratic Bogsch retires in December after nearly a quarter of a century in one of the most comfortable seats in the United Nations system. While most UN bodies are struggling to make ends meet. Wipo's coffers are full - courtesy of patent registration fees - and the organisation expects to double in size over the next

All the candidates come like Bogsch himself, from the esoteric world of intellectual property protection in countries as various as China, Finland and Zambia. But as with any top UN post, merit is secondary politics in deciding who will follow the Hungarian-born American.

While it is too early to pick favourites from the 10-strong fleld, Wipo-waitchers are speculating on a pay-off for the French for accepting Koff Arman as UN secretary-general. That would be good news for Jacques. Michel of the European Patent Office, or possibly François Curchod, Wipo's Swiss/French deputy director-general.

Others think the post could go

Japanese Patent Office, in a move to help ease the unloved Dr Hiroshi Nakajima out of the top slot at the World Health Organisation.

#### Uninformed

British PM John Major today expounds his views on Europe to an invited audience in Brussels But Observer will be surprised if Jacques Santer joins the distinguished gathering at the European Policy Forum.

Neither Downing Street nor

the British ambassador in Brussels thought it necessary to invite the Commission president to hear a prime minister's thoughts on what it means to be at the heart of Europe. The first Santer heard of Major's visit was when a publicity fiver landed on his desk. While the Forum moved quickly to send an invitation of its own, Senter suitably snabbed ~ is sending a representative to take notes.

#### Fare fight

The doglight between KLM and discount airline EasyJet for passengers on the Amsterdam-London route is reaching new heights.

During February, EasyJet is selling one seat - yes, just one on each flight to its Luton

"It is e laughable offer." admits Stellos Hall-Ioannou, the Greek Cypriot shipping heir whose no frills airline last spring introduced FI 99 fares which pushed KLM into halving its cheapest rates. KLM has never disclosed how many seats per flight are available at its lowest fare, and has remained po-faced throughout an EasyJet barrage which has included a complaint to the European Commission. Perhaps it will lift its skirts a little with today's third-quarter

Not that EasyJet can be making much money on the route either. Those rushing to secure the FI 9 ticket should know that on-board gin and tonic costs extra.

figures - expected to show a

collapse in profits and job cuts.

#### Hurd Heard

■ When French prime minister Alain Juppé arrived last November in Bordeaux for a summit, John Major suggested indelicately, some thought that his hosts had a few lessons to learn from the British way of economic management.

Yesterday, Juppe used one and a half hours of his whistle-stop London Visit to meet leading City figures and some clients of investment bank NatWest Markets. They included Eddie George, Bank of England

governor, John Browne, BP chief executive, and Sir Richard Greenbury, chairman of Marks and Spencer.

The Matignon was at pains to emphasise the exchanges were "completely informal". Though an undoubted coup for the bank and, in particular, for NatWest Markets deputy chairman Douglas Hurd, the former British foreign secretary who hosted the event, some at Westminster were asking whether this was the best way for a visiting prime minister to spend his time. But could it just be Juppe's hosts gave it to him straight, unlike those politicians along the river?

#### Another turn

■ While his former cabinet colleague Maire Geoghegan Quinn announced she was leaving politics last week, accusing the media of intruding into her family life. former prime minister Albert Revnolds shows no such squeemishness.

Forced out of office in 1994 over his handling of an extradition case involving a paedophile priest, Reynolds was confirmed over the weekend as Fianna Fall candidate for Longford-Roscommon for the forthcoming Irish election. Seems the one-time dance hall impreserio just can't sit down.

# Financial Limes

#### 100 years ago The Turkish Financial

Constantinople, 2nd Feb. It appears that during the recent negotiations between the Ministry of Finance and the Ottoman Bank for an advance by the latter for the payment of official salaries, the Council of Ministers decided on two different occasions to draw upon the Pension Fund for the required sum instead of obtaining it by means of a loan. It was only on strong representations being made by the Bank that the ministers reconsidered their decision and became convinced of the unfavourable effect which the proposed step

#### might produce. **50 years ago**

Rare Good Whisky Advertisement: "Every drop of Johnnie Walker sold today has to come out of precious reserve stocks. Not until distilling is 'going strong' again, and then not until a period of maturing has passed, can supplies of good whisky be increased. Johnnie Walker will always be rare good whisky; here's to the day when this good whisky will no longer be rare."

# FINANCIAL TIMES

Tuesday February 4 1997

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# Muslim League 'set for Pakistan victory'

By Mark Nicholson in Rawalpindi and Farhan Bokhari in Lahore

Pakistan's Muslim League last night said it was heading for victory over the People's party. led hy Ms Benazir Bhntto, in an election marked by a low

"We are winning from all over the country," said the PML's leader, Mr Nawaz Sharif, as his supporters came out on the streets of Lahore to celebrate.

expected until early today. many analysts thought his party would win enough seats either on its own or with allies to clinch a majority in the 217seat national assembly, or lower house of parliament.

Opinion polls had earlier forecast that the PML would win 75-90 seats in the poll, which was called after Ms Bhutto's government was

corruption and mismanagement charges in November. However, the low turnout.

which might have been below 30 per cent, raised questions about the legitimacy of the incoming government. Former Australian prime minister Malcolm Fraser, who is leading a Commonwealth team of observers, said "if the turnout was a low as many predicted the political parties should heed this serious message fom

the voters. "It is clear that public Although the final count in respect for political parties has yesterday's election was not plummeted and democratic government [has been] discred-

In an unusually frank assessment from an electoral observer, be said a change in the political culture of Pakistan was "critical to the effective development of Pakistan'a democracy", but he added that his team was "satisfied" that those who wished to vote had been able to do so "in a largely ousted by presidential order on peaceful election" and that the

electoral process had been "improved".

However, it appeared likely that Ms Bbutto would intensify her recent criticism of the conduct of yesterday's polls and say that Mr Farooq Leghari, the president, had used his powers to manufacture her defeat through measures such as bogus votes.

Mr Sharif's aides brushed aside concern about the low turnout. "The results will show that the votes cast for us have not gone down compared to votes cast for us in previous elections.

Mr Sharif extended an olive hranch to Ms Bhutto, saying he wished to avoid acrimonious confrontation.

Cricketer-turned-politician Mr Imran Khan, whose Justice Movement is fielding 132 candidates, abstained from voting because his party did not have a representative in his home town of Mianwali. He himself is standing in nine constituen-

# Paris and London clash over EU economic policies

By Robert Peston in London and Hugh Carnegy in

French and British political leaders clashed openly yesterday on the monetary and employment policies of the

Mr Alain Juppe, the French prime minister, on a short visit to London, said he was "deeply convinced" that the single currency "will be implemented next year, in 1998, [sic] and as you know France will be ready at that time to enter the single

"Our budget policy, our antiinflation policy and so on will allow us to meet the criteria." be said

But Mr Malcolm Rifkind, the UK foreign secretary, said in Stockholm that be doubted Emu could go ahead on schedule in 1999 without resort to "fudges" and "creative accoun-

Speaking to journalists, Mr Rifkind indicated his concern describe the social chapter of

former Warsaw Pact countries

and prohibited Nato members

from positioning nuclear weap-

Earlier yesterday, Mr Chu-

hais told a press conference

that "enlargement would be

unacceptable to Russia under

any conditions" even if a

treaty with Nato were signed. However, he softened his

Europe today ireland and most of England will have some rain. Wales may have an inch or even more in places. Scotland will be cloudy with scattered The Benelux and northern Germany will be rainy. Southern Scandinavia will have sleet. France and Spain will have some cloud and sunshine. Portugal will be mainly sunny. Italy and Sardinia will have scattered showers. The Balkans and Greece will be sunny. Northern Turkey will gradually clear but the north-east will

have some snow. Five-day forecast it will be rather unsettled and mild across north-west Europe. Rain will changa to eastern Europe tomorrow and

Thursday. Greece and western Turkey will have heavy

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position substantially in an since the mid-1980s.

ons close to Russia's borders.

Continued from Page 1

Russia softens stance on Nato

end in tears" however much it was desired by "Germany and France, with the Benelux countries" unless it was built

on "solid economic grounds". On the first leg of his tour of European capitals, designed to take the UK's vision of a "Europe of Nations" to EU citizens, Mr Rifkind was critical of Chancellor Helmut Kohl of Germany and President Jacoues Chirac of France.

He listed the reforms they wished to drive through the EU and asked where their vision of further "integration" differed from "a United States of Europe".

Mr John Major, the British prime minister, was set to clash with Mr Juppé over the EU's approach to economic management and employment. In a speech to 200 business people in Brussels tonight, he will argue that the "European is fundamentally model flawed". in particular, he will

interview with the Financial

Times, stressing that Moscow

would be much more flexible if

He said he had spoken out so

strongly in public because the

reasons for opposition had not been clearly understood by the

He said some influential western figures had not under

stood bow dramatically condi-

tions in Russia had changed

a treaty were concluded.

from which the UK has opted out, as a "Trojan horse" which

if implemented in the UK. By contrast, Mr Juppé insisted yesterday that France's adherence to the social chapter had not hindered joh creation.

would "bring us to our knees"

"I think there is no link between those two elements," Mr Juppė said, although Mr Major will today insist that Europe's relatively high unemployment rate is the direct result of the social chapter and other social legislation.

Mr Major will insist that the UK's more deregulated approach to economic management, the so-called "enterprise model", is more successful. Mr John Prescott, deputy leader of the opposition Labour party, which is committed to signing up to the social chapter, said "no amount of lies about Labour"

"divisions on Europe".

Continued from Page 1

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FT WEATHER GUIDE

effect on Toyota's production,

as it halted supplies of a wider

Mazda was also damaged by the earthquake as it cut deliv-

eries from the Kansai region.

Production at Mazda fell 15

A typboon in 1993, which

the just-in-time

cut distribution routes, also

Europe. would disguise the Tories'

says that on the basis of preliminary inquiries, it believes Deutsche Post "engaged in unlawful predatory pricing".

of time during which this pric ing policy has operated and the scale of Deotsche Post's losses indicates an intention by Deutsche Post to eliminate its competitors," the letter

# attacks Post over pricing

By Emma Tucker in Brussels

An investigation by the European Commission has uncovered evidence that from 1984 Deutsche Post, the German post office, has been trying to put rival private parcel services ont of husiness by unlawfully undercutting their

mices. The German monopoly is accused of engaging in predatory pricing practices and abusing its dominant position in the letters market to crosssnhsidise parcel services, granting substantial discounts to big husiness users.

The allegations are contained in a letter sent hy the competition anthorities in Brussels to Deutsche Post. The letter outlines the preliminary findings of the commission's inquiry which will shortly be followed by a formal statement of objections.

The results of the investiga-

tion come as Brussels competition officials grow increasingly concerned about record levels of state aid and distortions to competition in Germany, the EU's most powerful member

The inquiry was sparked by complaint from UPS, the private postal company, more than two years ago. Once it has received the formal statement of objections, the German post office will then have two months to answer the alle-

Unless Deutsche Post is able to convince the commission that It has not behaved unlawfully, it could face substantial fines. A decision against Deutsche Post would open the way for private parcel companies to seek compensation in the Ger-

The commission's findings are likely to provoke an outcry in Germany, which last year backed a French plan to postpone any significant opening of Europe's \$75bn post market to competition until at least

Deutsche Post has the second highest stamp rate in the world and the highest rate in

in its letter, the commission

"We consider that the length

In a further blow, the Commission is also investigating a complaint by UPS that the hit the company because of its German post office to its parcel division amounted to state

g HIGH

# **Brussels Deutsche**

the shares could suffer.

share price.

arrangement with Veha ought to give C&W greater flexibility in cutting other deals. And there is no doubt that the group now needs a new European strategy. But hopes that C&W will be able to pull off a value-enhancing deal with a hig international alliance such as Deutsche Telekom/France Télécom look overhlown. Not only does C&W show little willimmeness to sell out completely; even if it did, last year's BT talks demonstrated that such a

#### French media

Havas likes to boast that it is the world's fifth largest media company. But investors have tended to view the French group as an undermanaged hotch-potch of minority positions, and its shares have soffered as a result. In that context, its plan to acquire Générale des Eaux's stake in Canal Plus for shares has some strategic logic; after the deal, Havas will own 32 per cent of the pay-television group rather than 17 per cent. Havas will still have a large sing of capital passively tied up in CLT-Ufa, which Bertelsmann and Belgian's GBL jointly control. But it is starting to look less like a

nedia investment trust, Alcatel Alsthom's simultaneous plan to sell half its Havas stake to Générale also makes sense. The notion that there was synergy between a telecoms manufacturer and a media group always stretched credibility. A bigger question ia

#### THE LEX COLUMN

# Crossed wires

ship will help its embryonic tele-

coms services business is pretty

financially. Générale will be swap-ping a stake in Canal Plus, which is

expected to earn nothing this year,

for shares in profit-making Havas.

But if such a transaction makes

not be so good for Havas, despite

the industrial logic. So many new

earnings could be diluted around 15

That said, a deal could stack up

FTSE Eurotrack 200:

French media

Share prices relative to the SBF 120 index

Cable and Wireless has hardly covered liself in glory with its Ger-man escapade. The original deal with Veba tied C&W in knots, contributing to last year's difficulty in clinching a marriage to British Telecommunications. C&W will now be lucky to pull out of the Vebacom venture without reporting a loss. And if Veba dumps its 10.4 per cent C&W stake on the market,

There are certainly short-term attractions in pulling out: C&W will no longer have to carry its share of Vehacom's start-up losses, which are equivalent to about 10 per cent of earnings. If it were to use the cash it will receive for its stake in Vebacom to buy back the bulk of Veha's C&W stake, earnings per share would be further boosted. That would also remove the threat of a stock overhang depressing the

Longer term, an unwinding of its deal is almost impossible to cement

#### Italian banks

The proposed sell-off of 45 per cent of the San Paolo di Torino bank, Italy's higgest hy assets if not profits, is far more important than its £1.5bn stock market valuation implies. It represents a striking change in Italian banking. The public sector will relinquish control of a big bank (a charitable foundation will retain 20 per cent of San Paolo, but only 5 per cent of the votes). San Paolo can run itself independently of politicians, which is good for the economy. And this will sharpen its negotiating position for future mergers in a hugely fragmented sector.

Investors may be unenthusiastic, since Italian hanks have been dogged by over-manning and inefficlent management. Those who took shares in San Paolo's 1992 flotation are still nursing losses. Meanwhile, the last banking privatisations, Cre-dito Italiano and Banca Commerciale Italiana, were bijacked by why Generale, which could end up Mediobanca and allies, to the detriowning about a quarter of Havas, ment of strategy and share price.

With a return on equity of 5 per cent, San Paolo at least offers room for improvement. And its aggressive push into asset management bodes well. If the management can demonstrate it will run this bank for investors - and much will depend on the identity of new core shareholders - the rewards will be considerable. This would then encourage other public sector banks to follow, and Italy could finally get the concentrated and efficient banking system about which politicians have talked so much and done so Apple to revi

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#### Labour/Emu

When it comes to Emu, hoth Britain's main political parties are stuck on the fence. Yet even in this undignified posture, the gap separwants to beef up its presence in ating the two is growing. This is not media. The idea that the relationjust a matter of ever more sceptical Conservative rhetoric; when Mr Robin Cook, shadow foreign secre-tary, says it would be difficult for Britain to stay outside Emn after 2002, investors should listen. For one thing, Mr Cook has traditionally been on the sceptical end of the Emu argument. For another, 2002 is not as far away as it sounds. The financial sense for Générale, it may necessary preparations - independence for the Bank of England, reshares will be issued that Its entry into the exchange rate mechanism - would have to occur well before then.

To a newly-elected Labour government, moreover, planning on second-wave Emu entry would have its attractions. It would sustain Labour's pro-Europe credentials without bogging down its first years in the issue. It would buy Labour much credit with financial markets. And it could reasonably be defended, on the grounds that UK and continental economies have not yet converged enough to justify joining in the first wave. Currently, after all. UK interest rates are 6 per cent and rising; in Germany they are just over 3 per cent and falling.

Why is such speculation worth considering? Simply because a pro-Emu shift in the UK would drastically narrow gilts' current 1% percentage point spread over German bunds. And although auch a shift is far from guaranteed, it is also true that current prices imply both that Emu will be successful and that Britain stays out in the long run. That combination, surely, looks far-

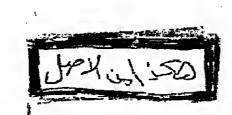
> Additional Lex comment on Dixons, Page 29

# Issuers INVESTORS

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"Prepare "reserves".

then act as though you have no

reserve at all. This is the secret

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THE FINANCIAL TIMES LIMITED 1997

COMPANIES & MARKETS

Tuesday February 4 1997

FINANCIAL TIMES

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bank plans

to broaden

shake-up

its role

wholesale bank.

By Tony Tassell in Bombay

Industrial Development Bank

of India, the country's largest

development finance institu-

tion, has outlined a wide-

ranging restructuring designed

to position it as an integrated

#### IN BRIEF

#### Apple to revamp system by 1998

Appla Computer unveiled plans to deliver a new operating system for its Macintosh personal computer by the middle of next year. The new system, code-named Rhapsody, will be issued in prototype form to application software developers later this year. Page 22

BAA profits increase by 6.2%

An increase in passenger numbers helped BAA, the airports group, to a 6.2 per cent rise in its third quarter pre-tax profits. The number of passengers using the group's seven airports - London's Heathrow. Gatwick and Stansted, and Glasgow, Edinburgh, Aberdeen and Southampton - rose 4.4 per cent. The airports handled 76.6m passengers. Page 29

Petrobrás 17% rise in earnings Petrobras, the state-owned oil and gas group which is the largest company in Brazil in terms of sales, increased net profits in 1996 by 17 per cent, from R\$570m to R\$664m (\$549.2m to \$639.9m). The group, which is set to lose its monopoly in the domestic oil industry, said turnover in 1996 had advanced 27 per cent to R\$23.8bn. Page 22

KPMQ disappointed by results KPMG, one of the Big Six accountancy firms, saw gross fees rise by just 6 per cent to 2624m (\$1bn) in the year to September 30, but said income in the first quarter of the current year was up 15 per cent on last time. The figures were disclosed in the first audited accounts of a blg accountancy firm. Page 29

French financials' reporting inadequate France's financial institutions provide inadequate information on their exposure to risks and have done little to improve the quality of their reporting over the past 12 months, says an influential report. The analysis is based on the latest annual reports of 50 financial institutions in France. Page 20

Metaligesellschaft expects profit rise Metaligesellschaft, the German industrial and trading company, expects a further rise in profits in the financial year to September 30 after the 70 per cent rise in its pre-tax result to DM292m (\$177.7m) achieved in 1995-96. Page 20

1 Inco

19 Ind Dev Bank India

Companies in this issue

ANZ Banking Group

Aerospatiale

Aetne

1 JCV Sturovo Alsin Salki 1 KPMG Alcatel Aisthorn 20 Knorr-Bremse 29 Kradietbank Apax Partners 22 Lagandère Apple Computer Lockheed Martin AssiDoman 20 9 Metallgesellschaft Monsanto BAA National Power BAT Nordbanken Breda British Telecom Philip Holzmann **Butte Mining** Phillips **CSFB** 20 Philips Cable and Wireless RWE 20 Carlson Wagonlits Republic Industries 29 Clyde Petroleum Rolls-Royce Coca-Cola 20 SE-Banken Credito Italiano 20 Sema Group Daimler-Benz A'space Sharp 20 Danone Siemens Siemens Plessey 18 Solidere 29 Souza Cruz 29 Sul America Seguros EM Warburg Pincus 22 Thomson 22 Thomson-CSF Empresas La Moder 29 Tomkins 20 Toyota Firmeccanica 19 Tubaceo 29 UBS **Gulf Canada** 29 LIPS Hancock Ventur 12 VW Financial Service 20, 1 30 Veba

http://www.FT.com **Market Statistics** FTSE Actuaries share indices 38 & Annual reports service Foreign exchange Road futures and options Gilts prices London share service Bond prices and yields Managed funds service Dividencis announced, UK EMS currency rates New Inti bond issues Eurobond prices Recent Issues. LIK Fored interest indices Short-term int rates FT/S&P-A World Indicat US interest rates World Stock Markets

Chief price changes yesterday PARIS (FFr) FRANKFURT (DM) **Rince** Aachen Mch Rg 1190 + 40 84.2 + 8.2 225.3 + 9 318.5 + 6.7 684 + 10.5 Faits Booygon St Gobsin 16.5 TOKYO (Yes) 39% + 2% 35% + 2% 42% + 5% + 27 - 10% - 2½ HONG KONG Rises Cherry Kong Chic Pete Valero Engy LONZDÓN ( BI Eagle New Whiti Dev SHK Ppi Vegs Group
Palite
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TOROSTYO (CS) - 38 - 30 - 81½ Brik É Ash BANGKOK Rises Plippe LG Techno 6.9 2.35 42.75 + 3.75 31.25 + 2.75 Lynx Engy B Trimec Ltd 1.65 8.5 - 0.9 21.35 - 2.65 2.2 - 0.55 BE 600 LOC

# US insurer aims to expand low-cost healthcare via link with local company Indian Aetna in \$300m Brazilian venture

By John Authors in New York and Jonathan Wheatley In São Paulo

Aetna, the US life and bealth insurer, yeaterday agreed to invest \$300m in a joint venture with Sul America Seguros, Brazil's largest insurance company, in an attempt to expand low-cost bealthcare in Brazil. A further \$90m may follow depending on performance.
The move follows Sunday's

unnouncement that a group of North American financiers. including the merchant banking arms of Chase Manhattan Bank and the National Bank of Canada, was investing \$350m

Siemens to

cable TV

network

By Frederick Stüdemann

industrial group, is to sell its

cable television network busi-

ness as part of a refocusing

Mr Heinrich von Pierer,

chief executive, said yesterday

that the network, which deliv-

ers television to some 350,000

households across Germany,

was not part of Slemens' core

Mr von Pierer, speaking at

the World Economic Forum in

Davos, Switzerland, said Sie-

mens was talking to several

potential hnyers. Among these

is Vebacom, the telecoms sub-

sidiary of Veba, the ntility

company, which is expanding

its cahie television network

the German

in Frankfurt

Stemens.

strategy.

activities.

activities.

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sell its

in a joint venture with Infisa. the largest pension fund manager in Chile, to build a Latin American financial services conglomerate. The two investments con-

firm the US financial sector's

confidence that it can obtain superior growth in Latin America than by investing in the domestic market. Actna's venture, to be called Sul America Aetna, intends to expand aggressively into the

developing Brazilian market for defined contribution pension products - where savers invest a regular sum each month without a guaranteed final payout - and bealthcare.

It will use products and marketing techniques developed by Aetna in the US healthcare industry, and sell them through the Sul America distribution system, which currently includes more than

14,000 brokers and has about

8.5m customers. Sul America claims an 18 per cent share of the overall Brazilian insurance market, with premium income last year of about \$2.6bn, including premiums from its life and health husinesses of \$1.4bn. These businesses will be contributed

to the new company. Mr Frederick Copeland, president of Aetna International, ble in the future, and there is

said the company would "grad- the beginning of a defined conually" introduce US managed tribution pensions Industry healthcare practices, although be added that Aetna's US bealthcare business was not immediately transferable Aetna already has pensions

businesses in Peru and Chile, and it is establishing one in Mexico. Mr Frederick Copeland, president of Aetna International, said: "In Brazil there are many investment products which we think over time we can bring to the marketplace.

"Typically in a high inflation market those products don't do very well. But we are hoping the economy will be more sta-

starting in Brazil." Mr Rony Lyrio, president of Sul America, said he hoped the joint venture would exploit very substantial" growth in private pensions, although this would depend on the Brazilian government's success in reforming the pensions sys-

Reform has been stalled in Congress for almost two years but progress is expected soon following President Fernando Henrique Cardoso's political victory last week in securing the right to run for a second term in 1998.

The plan marks a further step in the transition of India's financial institutions from state-run organisations into more commercial companies. Mr S.H. Khan, IDBl chairman, said that the reorganisa-

tion, which is based on the recommendations by consultants Booz Allen and & Hamilton, would see the institution expand from its core business of project financing into feebased services.

There would also be a decentralisation of operations, greater customer focus and improved information technology systems.

No timetable was given for the restructuring of IDBL the aeventh largest development finance institution in the world by profits and the eleventh largest by assets, but Mr Khan said a task force would be set up to carry it out as soon as possible.

Mr Girish Kumar, analyst with Merrill Lynch in Singapore, said that the reshaping would be critical for IDBI amid increasingly competitive conditions for fund-raising, a narrowing of spreads from about 4.5 per cent to about 3.5 per cent, and the continued expansion hy India's commercial banks into project financ-

Under the restructuring, the group will develop fee-based services such as consultancy on mergers and acquisitions. risk management products. deht syndication and foreign exchange management. The stitution offering working capital and short-term finance to compa-

Mr Khan said that interest income currently accounted for 90 per cent of IDBI's total increase the percentage of feebased income to about 30 per

cent of total income. He said that under the decentralisation IDBI'e head institution's branches.



Door remains open: Hans Dahlborg, chief executive of Nordbanken, which says it is still looking for potential partner

# Swedish bank merger talks fail

By Hugh Carnegy in Stockholm

The cable television net-An attempt to huild the Nordic work is the latest husiness to region's biggest bank collapsed be deemed non-essential by yesterday when Sweden's Enskilda kandinaviska a comprehensive review of its Banken hroke off merger talks with its state-controlled rival activities with a view to cut-Nordbanken.

since the heginning of the

year. It appeared SE-Banken,

ting costs, improving innovation and expanding abroad. At Shares in the two hanks the end of last year the comslumped on the news which pany closed its consumer elecended weeks of speculation tronics business which made that a marriage between the televisions, video machines two was set to be the next step and stereo systems. in a large-scale restructuring Siemens is said to be hoping of the Swedish financial sector. Nelther side commented publicly on the cause of the breakdown of the talks, which had been pursued intensively

to raise over DM3bn (\$1.8bn) from disposals. The money will go towards expansion in core husinesses, including power, telecommunications and transport equipment. Mr von Pierer reiterated

previous statements that Siemens would continue to expand outside Germany, particularly in Asia. Siemens said the decision to sell the natwork was

prompted by the liberalisation of the Cerman telecoms market, dne in 1998, in which cable is set to play a key role. Siemens has decided to concentrate on supplying hardand software. Vebacom confirmed it was

in talks with Siemens but said a concrete offer had not been made. The Siemens network i estimated to be worth as much as DM400m, although the comnany would not comment on this figure.

Vebacom's cable network reaches 1.9m households, of which 1.6m are registered customers. It is the second largest cable televiaion operator in Germany after Deutsche Telekom, the largely state-owned telecoms company, which has 5m direct customers. It has a further 11m customers hooked np indirectly as part of larger

Germany'a cable network, which reaches more than half the country's 37m households, is seen as increasingly attractive with the advent of multimedia services which combine voice, data and pictures. It is also set to play a key role in the development of digital pay television.

Vehacom has focused on cable in its bid to become the to Havas, which already owns higgest telecoms and electronic media distributor after Deutache Telekom. Laet month it paid DM480m to acquire Urbana Systemtechnik, Germany's third largest cable television network, which brought with it more than 500,000 subscribers.

"We are interested in the Siemens' network for two reasons. One, we get access to customera. Two, wa can expand the network to offer telephone and multi-media services," the company said.

> \$81m weapons order cancelled, Page 9 i nearly FFr3bn (\$540m).

the linancial flagship of the a whole. The creation of such a the future of both Nordbanken Wallenberg family industrial European-class hank would and SE-Banken. The Social empire, had walked away have meant a jot for the Stockbecause of lack of agreement holm financial community." on operational structures and the division of power between shares fell SKr4.50 on the news

support for a merger by Investor, the main Wallenberg investment vehicle which holds a chunk of the family's holding in SE-Banken. It expressed regret at the failure of the talks, which would have created a bank with assets of SKr890bn (\$123bn) and a mar-

ket worth of SKr77bn. Mr Claes Dahlbäck, chief executive of Investor, said: "It is sad because a merger would have been very beneficial for

SE-Banken's most-traded A

This was despite the clear Nordbanken shares dipped SKr to close at SKr227. Anticipation of an SE-

Banken-Nordbanken tie-up rose after Svenska Handelsbanken won a bidding contest to take over Stadshypotek, the country's biggest mortgage lender, in December. That was seen as an opening play in a series of likely mergers in a market offering little organic growth and facing increased

foreign competition. Yesterday's breakdown both banks and for Sweden as raised critical questions over

Democratic government is committed to selling off all its near-60 per cent stake in Nordbanken - but has yet to decide appeared Investor was standing ready to huy a significant stake to underpin the proposed merger. But the government will now have to decide whether to auction its stake or stage a public offering.

Nordbanken, whose chief executive is Mr Hans Dahlborg, said its door remained open to potential partners. SE-Banken said it was not in a hurry to find a new partner despite public statements that it believed restructuring was necessary eventually.

office would focus on large corporate borrowers with mid-size customers allocated to the

## Générale des Eaux set to raise stake in Havas

Move is part of complex shake-up in France's audio-visual sector

By Andrew Jack in Paris

Générale des Eaux, the French utilitias and construction group, is poised to become the largest aingle shareholder in Havas, the communications group, as part of a complex shake-up of the country's audio-visual sector.

Under plans to be discussed by the groups' boards on Thursday, Générale des Eaux is proposing to increase its stake in Havas from 2.5 per cent to up to 30 per cent. This would come partly

through the acquisition of a 10 per cent holding owned hy Alcatel-Alsthom, the communications and defence group. The rest of the group's increased stake would come through additional shares

given to it in payment for ceding its 19 per cent stake in Canal Pius, the pay-TV group, 21 per cent. Générale des Eaux and statements confirming that they were in discussions

concerning "their particlpa-

tions in the audio-visual

sector and essentially in Canal They stressed that any valuations on the operations would he based on stock market prices tafore February 1. which at the closing stock market price for Havas on Friday would value the cost of Générale des Eaux'a purchase recent days. of Alcatel'a 10 per cent stake at

The operation would reas sert Havas's role as the undisputed dominant shareholder in Canal Plus, a position which was to be diluted to 17 per cent as a result of the merger announced last year between the television company and the competing NetHold group.

The restructuring would provide a way for Alcatel to shed part of its existing 21 per cent stake in Havas, acquired in October 1995 in payment for ceding control of its publishing arm, which it pledged only to sell within two years by mutual consent, but which it has made no secret of its desire to sell.

The transaction would be expected to trigger a small capitsl gain for Alcatel, as well as free up cash to help it in its bid for the defence activities of the state-owned Thomson group which is up for privati-

The deal could also bring about a wider shake-up in the Havas yesterday issued short audio-visual sector, including the halance of power over Compagnie Luxembourgeoise de Télédiffusion (CLT), controlled by Mr Albert Frère of Belgium. Générale des Eaux and Havas hold indirect stakes in CLT.

On a day when the CAC 40 index of leading French stocks ciosed down 0.32 per cent, Havas' shares rose 4.6 per cent and Alcatel's fell hy 1.1 per cent after a strong rally in

#### True appropriement appears as a matter of record only RAS LAFFAN LIOUEFIED NATURAL GAS COMPANY LIMITED Qatar General Petroleum Corporation and Mobil QM Gas Inc. US\$1,350,000,000 **Project Finance Facilities** US\$450,000,000 Term Loan US\$465,000,000 Export Credit Loan eed by The Export-Import Bank of the United States US\$250,000,000 Export Credit Loan US\$185,000,000 Export Credit Loan ed by Sezione Speciale per l'Assicura for the development of a 5.2 mmtpa figurated material gas production plant and associated offshore facilities at Ras Laffan, State of Qatur Credit Lyonnais Arab Petroleum Investments Corporation Credit Suisse First Boston The Industrial Bank of Japan, Limited Mediocredito Centrale S.p.A. The Sakura Bank, Limited Société Générale The Bank of Nova Scotis Arab Banking Corporation B.S.C. Banque Ind Sanque Paribes CIBC Wood Gundy pic riorhe I andeshank Cir. Cho Hung Bank The Full Bank, Limited The Dai-Ichi Kangyo Bank, Limited Culf International Rank R.S.C. Korea First Bank The Royal Bank of Scotland pic ING Bank tsche Landesbank Girozentrale The Suzzitotno Kank, Limited The Sanwa Bank, Limited Creefe Salese First Boston The Industrial Bank of Japan, Limited Regional Books (Middle East) Regional Books (Asia) The Sakura Bank, Limited Commercial Bank Agen The Industrial Bank of Japan, Limited BCGD Agent USEXIN Apon SACE Agent rial Bank of Japan, Lie Credit Suisse First Bost Modelling Bank Technical Bank

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in Frankfurt

Metallgesellschaft, the German industrial and trading company, expects a further rise in profits in the financial year to September in its pre-tax result to strengthen Metallgesell-DM292m (\$178m) achieved in chairman, said yesterday.

He also said the company, which nearly collapsed three years ago after heavy losses on US oil futures trading, trol technology. intended to seek further acquisitions in its main sectors and was aiming for a return on equity of 14 per cent in the medium term

after 9 per cent last year. The company's shares rose 3 per cent vesterday, or hy DM1, to DM33.80. In the last six months, they hava gained about 35 per cent.

The group was now "logically structured and finan-cially sound," Mr Neukirchen said. "Hence it is gesellschaft last month made year's favourable perfor-

number of companies planning to attack the

market met recently to com-

pare strategies. Each put for-

the DM80bn (\$48.8bn) their

win, One executive at the

"Their combined estimates

exceeded Deutsche Tele-

kom's entire 1996 revenues

this sort are common among

new entrants to an unfamil-

iar market. The expected

withdrawal of Cable and

Wireless, of the UK, from a

with the German utilities

Veba and RWE, however,

may indicate that a new

There have been a rash of

mergers and strategic alli-

ances over the past few

years in anticipation of the

opening of the European

market to full competition in

1998; the C&W move may

prove a catalyst for other

companies to reassess their

There are three main rea-

First, the group has devel-

oped a new global strategy,

with Cable and Wireless

recently created UK subsid-

combines Mercury Commu-

nications, the C&W subsid-

sons for C&W's decision to

European strategies.

realism is taking hold.

Unrealistic ambitions of

[about DM63bn]".

industrial company, from BHF-Bank.

Mr Neukirchen decitned to give more details about the agreed purchase of the 49.99 per cent stake in Agiv. But 30 after the 70 per cent rise he said the deal would schaft's plant engineering 1995-96, Mr Kajo Neukirchen, and contracting division, speed up the development of the huilding technology business and add new activities in instrumentation and con-

> Metallgesellschaft'e firstquarter profits this year rose by 19 per cent to DM26.7m hefore tax, hut Mr Neukirchen said it was not possihie to extrapolate the full year's result because profits from industrial plant contracts often came later in the year. First-quarter sales totalled DM3.8bn, a 12 per cent increase.

Trading activities are expected to show a marked improvement, while plant strong enough to make size- engineering and contracting able acquisitions." Metall- are likely to repeat last

munications' chief competi-

tor in the UK, with three

tron and Bell CahleMedia.

This new strategy follows

executive last year of Mr

ager who is already building

innovative decision-taking.

One analyst said yester-

day: "Like most American

chief executivas, Richard

Brown likes to shake things

up and hulld shareholder

in dozens of different territo-

ries, but he will concentrate

about - like the US and

Hong Kong - and attempt to

build C&WC into a substan-

come from its majority stake

in Hongkong Telecom; one of

Mr Brown's priorities is to

protect the interests of C&W

shareholders during the

change from UK to Chinese

ahandon the German Brown would like to form an C&W group would have been

global supercarrier owned by

Deutsche Telekom, France

Télécom, and Sprint of the US. It would give tha group

global reach, making a sepa-

here are rumours.

ownership this year.

tial company."

It is becoming clear that
Most of C&W's profits such ambitions are wholly

which have not been pete is about 15 per cent. denied, that Mr That means the Veba/RWE/

The second reason for market on January 1 next

"C&W may have interests

enior executives from a lary that is British Telecom-

soon-to-be-liberalised Ger- UK-based cable operators:

man telecommunications Nynex CableComs, Video-

ward a view of the share of the appointment as chief

organisation expected to Richard Brown, the US man-

meeting noted cynically: a reputation in the UK for

planned three-way tie-up on the five he really cares

lary, at its centre. C&WC rate European strategy

superfluous.

an offer to buy effective con-trol of Agiv, the loss-making Nobel, the chemicals division, should achieve a further rise in profitability.

Elaborating on the 1995-96 result, partially announced in November, Mr Neukirchan said group net income was 80 per cent higher at DM220m.

On the industrial plant side, the Lurgi subsidiary raised pre-tax profits from DM113m to DM127m and Lentjes improved from DM28m to DM48m.

Dynamit Nobel lifted its pre-tax result from DM141m to DM191m. Profits of the building technology division, still in the start-up phase. rose to DM42m from DM35m, while financial services made a pre-tax profit of DM25.4m down from DM28.3m - the Metallbank subsidiary has since been sold to SchmidtBank. Trading activities pro-

duced a lower pre-tax figure of DM35m against DM55m. partly as a result of economic weakness and turbulence on the London copper

of building the necessary

infrastructure to compete

with Deutsche Telekom was

proving prohibitive - a

"black hole for funds" as one

analyst put it. Three years

ago, new competitors in Ger-

many believed they would

break even on their telecoms

activities by 2001. Now they

have scaled that back to

market share from Deutsche

Telekom. When the original

deal was initialled between

C&W and Veba, Lord Young

of Graffham, at that time

C&W chairman, said the

partnership aimed for 10 per

cent of the German market

unrealistic without huge

investment in infrastructure.

tancy which advises new

telecoms operators on strat-

egy, points out that the

share of a liberalising mar-

ket for which all the new

for a share of a

players can reasonably com-

DM12bn market rather than

thermore, remain uncertain.

It has become clear in recent

months that the liberalisa-

tion of the German telecoms

The rules of the game, fur-

a DM30bn market.

Schema, a London consul-

hird, there is a fresh

realism about how dif-

ficult it will be to win



Kajo Neukirchen: group intended to seek further acquisitions

rapid transformation.

plete its network.

Deutsche Telekom's

would-be rivals are at an

early stage of development -

even Vebacom is yet to com-

More important, there are

significant regulatory ques-

tions to he resolved and

basic issues, such as the fees

Deutsche Telekom will be

able to charge rivals for con-

nection to its network, have

not been settled and are

The federal post and tele-

communications ministry

has not decided the shape of

a proposed new regulatory

authority. Many would-be

entrants into the market

fear the creation of a politi-

cally-driven agency that will

favour the interests of Deut-

The slow pace set by the

ministry is seen as a bad

omen hy many would-he

Veba and RWE, bowever,

were insisting last night that

their joint venture would go

ahead, with or without

C&W. They are now talking

Veba said: "What is impor-

tant is that the joint venture

is not affected." As cash-rich

German utilities, some argue

without C&W for the long

haul likely to be necessary

Nicholas Denton

Alan Cane,

sche Telekom.

to US operators.

investors.

due 2004

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Agent: Morgan Guaranty Trust Company

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**JPMorgan** 

likely to provoke rows.

#### C&W pull-out injects realism | Report attacks French banks C&W's move is that the cost year will not the cue for a

By Andrew Jack in Paris

France's financial institutions provide inadequate information on their exposure to risks and have done little to improve the quality of their reporting over the past 12 months, an influential report concluded vesterday.

Pewer than half which have outside shareholders provide details of their commitment to meet the growing calls for improved corporate governance, and most fall far short of the example set by their Anglo-Saxon

counterparts. The analysis is based on the latest annual reports of 50 banks, mutuals, savings and other financial institutions in France, and was conducted by experts from the professional firms Cauvin Angleys Saint-Pierre, Deloitte Touche Tohmatsu, Ernst & Young, and Mazars

& Guerard. It says thet details of credit risks remain "insufficient and inconsistent", and thet few provide enough information on such topics

larly significant in view of the growing debate in France over the low interest charged by institutions on some loans - even below the costs of extending the loan and Ralph Atkins | which triggered e warning

Trichet, the governor of the Bank of France, in 1995.

Information on the level of property provisions - which on average stands at 60 per cent of total property loans in a reflection of the malaise of the domestic market - is also inadequate, and its definition varies hetween and even within banks, with the risk of damaging the credibility of the institutions, the report warns.

It says that just nine of the 19 institutions which have outside investors provide much information on their approach to corporate governance, in spite of the publication of a series of recommeodations in 1995 from an Influential committee chaired by Mr Marc Viénot, himself chairman of the bank Société Générale.

Those that do cite their policies make reference to the appointment of independent directors, publication of a code of practice for the board, and information on specialist committees.

It says thet the institutions take on everage 86 The criticism is particu- financial year to publish their accounts, with the longest - Crédit Foncier de

> Les établissements de crédit 1996. CPC Editions. Meylan, Grenoble, France. FFr400.

EUROPEAN NEWS DIGEST

# Credito Italiano profits rise 30%

Credito Italiano, the privatised Italian bank, yesterday. said net profits for 1996 rose by about 30 per cent to more than L250hn (\$155m). This performance came in spite of the continued high incidence of write-downs on loans and long-term investments. The bank also said its preliminary 1996 results showed a 20 per cent rise in gross operating earnings to about L1,080bn. These figures reflected both the increase in service commissions and cost containment that included 800 staff cuts. Direct customer cash deposits reached L50,000bn out of total cash deposits of about L200,000bn. Bank loans rose 8 per cent to L72,000bn, of which L41,000bn involved loans to industry. Net bad debts fell from L1.214bn to L1,182bn.

#### Iberia back in black at Pta2.7bn

Iberla, the Spanish state-owned airlina which is seeking an international commercial ally, showed e net profit of Pta2.7bn (\$19m) last year, its first positive result since 1989, according to provisional estimates from the company. The profit compared with a loss of Pta44 92bn the previous year. It followed European Commission authorisation in late 1985 for a Pta87bn injection of capital from the Spanish government. The aid plan was pegged to divestment of Iberia holdings in Latin American airlines. Under the deal, a further Pta20bn may be pumped into Theria this year.

Operating profits improved from Pta25bn to Pta34bn, after emerging from loss in 1994. Operating turnover was up from Pta450.6bn to about Pta477bn, it said. The group showed provisional net earnings of Pta3.4bn on sales up 5 per cent at Pta556.6bn. That covers Spanish domestic and charter subsidiaries but not its remaining Latin American interests, which include 45 per cent in Viasa, the troubled

#### Madrid probes 'manipulation'

The Comisión Nacional del Mercado de Valores, Spain's stock market regulator, said on Friday It had investigated alleged share manipulation by the Spanish units of Banque Paribas, of France, and Credit Suisse Financial Products, of the UK, and had started proceedings which could lead to stiff fines for both institutions.

The regulator's action follows an inquiry into the sudden collapse on December 27 1995 of the Ibex-30 index, which represents Spain's most traded stocks. The two institutions were investigated because of their alleged involvement in a swap operation with a fund managed by a leading Spanish bank that was backed by an Ibex index futures contract. The two institutions face maximum fines equal to 5 per cent of the customer funds that they:

#### Danone buys into Strauss

Danone, the French foods group, has hought 20 per cent of the dairy operations of Strauss, of Israel. Industry sources said the stake cost around \$55m. Strauss declined to comment. Mr Frank Riboud, Danone chairman, said: "We are not very strong in this part of the world and we really hope Israel will help change that." He said the agreement was the prelude to a deeper bilateral co-operation. The deal excludes Strauss's ice-cream and cheese companies, which are 50 per cent owned by Unilever, the - AFX News, Tel Aprio Angle-Dutch food group.

#### Philipp Holzmann breaks even

Philipp Holzmann, Germany's largest construction company, broke even in 1996 after a net loss of DM443m a year earlier. The latest figure includes DM1bn (\$61m) in costs from write-downs on investments, valuation adjustments, operating losses and provisions. Also included are the proceeds from the sale of about 4,000 apartments, mostly in Bonn and Berlin.

With the sale of these, estimated to be worth about DM500m, Holzmann will withdraw completely from its business as a landlord. Sarah Althaus, Frankfurt

#### Philips appoints M&A man

Philips, Europe's biggest consumer electronics group, is to strengthen the team reshaping its activities worldwide by appointing a merchant banker from Credit Suisse First Boston to a high-level financial post. Mr Ivo Lurvink, head of CSFB's Prague operations, will join in March as senior director and head of mergers and acquisitions.

Vincent Boland, Prague and Gordon Cramb, Amsterdam

## Koninklijke PTT Nederland NV

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the notes will bear interest at 6.42813% per armum from 31 fangery 1997 to 30 April 1997. Interest payable on 30 April 1997 will amount to 5156.74 per \$10,000 note and \$1,567.41 per\$100,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan** 

EUROFIMA

TTL300,000,000,000 Floating Rate Note due 1998

Notice is hereby given that for the interest period 4 February 1997 to 5 May 1997 the notes will carry an interest rate of 7.11719% per annum. Interest payable on 5 May 1997 iti amount to ITL88,965 p ITL5,000,000 and ITL889,649 per ITL50,000,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan** 

Notice of Early Redemption



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NOTICE IS HEREBY GIVEN that the Issuer shall redeem the Notes in accordance with Condition 5(b) of the Terms and Conditions of the Notes at their principal amount on the next interest payment date, 11th March 1997, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation and surrender of the Notes, with all unmatured coupons attached, at the offices of any of the Paying Agents mentioned thereon.

Accrued interest due 11th March 1997, will be paid in the normal

The Tokai Bank, Limsted 48 Principal Paying Agent

# The Financial Times plans to publish a Survey on

# Cayman Islands

on Tuesday, March 18

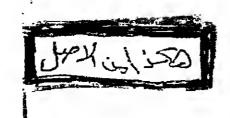
Political stability in a region often overtaken by disorder has allowed the Cayman Islands to establish a reputation as a leading holiday resort and one of the world's leading offshore financial services centres. Although expansion of tourism has slowed, this has not reduced the British colony's ability to offer natives and a significant number of non-Caymanian residents a standard of living and a quality of life much higher than that of other parts of the region. The survey will look at the Island's economy, politics. financial services, tourism and more.

> For more information on advertising opportunities in this survey, please contact: Michael Geach in New York: Tel: (212) 688-6900 Fax: (212) 688-8229 oz

Robert Jagger representative for Cayman Islands and The Bahamas Tel: (809) 327-3796 Fax: (809) 327-3416

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ATTRY AVERAGES OF STOCK P

INTERNATIONAL NEWS DIGEST

AssiDoman, the Swedish forestry company, has reached

public offer for the remaining outstanding shares, with a

It said JCP Sturovo, located on the Danube near the

Hungarian border, was a profitable company with strong

market positions and an annual turnover of about \$21.6m.

middle layer in corrugated cardboard), corrugated board,

carton board and asphalt-impregnated paper products.

The fluting mill has an annual capacity of 180,00 tonnes.

with 76 per cent of output exported to the Czech Republic,

Slovak Republic. AssiDomän said it had also made a

view to buying at least 90 per cent of the company.

JCP Sturovo, with 2,500 staff, makes SC-fluting (the

Germany, Italy, Spain and Turkey among others.

Europe," Mr Lennart Ahlgren, AssiDomän chief

well with our other investments in the region."

"JCP Sturovo gives AssiDoman very interesting

opportunities for development on the rapidly growing corrugated packaging markets in central and eastern

executive, said yesterday. The company also fits in very

Alitalia, Air France in accord

reached a preliminary agreement with Air France on code

sharing and space reservations. The deal is expected to

take effect on April 1. The airlines will share codes and

bookings mainly on flights to and from Venice, Bologna,

The companies would also put on extra flights between

agreement the airlines will maintain "independent

commercial policies and operating costs". The airlines

Carlson plans card link-ups

Carlson Wagonlits Travel, the joint venture business

credit card companies across Europe in the next few

The group will form alliances - principally with

cards as part of its strategy to expand business. The

MasterCard - to offer its clients branded 30-day charge

the formal 50-50 partnership, two years ahead of their

original schedule. The companies said they planned to

increase activity by 10 per cent a year, double profits within three years and accelerate international

details emerged after Accor and Carlson signed on Friday

expansion, particularly in Asia, Carlson Wagonlits Travel said sales for 1997 would be near \$9bn. Andrew Jack, Paris

Solidere upbeat after 81% rise

Solidere, the company entrusted with rebuilding Beirut'a war-torn commercial district, yesterday reported net

\$58.2m. Unaudited figures show Solidere's revenues up 70

Solidere said total assets rose to \$1.77bn in 1996 from

\$1.67bn in 1995 to \$1.72bn last year. Solidere's directors

profits up 81 per cent last year, from \$32.3m in 1995 to

per cent at \$74.2m, after \$43.5m the previous year.

\$1.7bn in 1995. Total shareholders' equity rose from

said the 1996 financial results "demonstrate that the company has achieved its business plan objectives for the year and in fact exceeded its revenue protections as a result of strong land sales in the BCD [Beirut Central

conditions remained "tough". As well as selling brake systems to the world's main makers of railway rolling stock. Knorr has a joint venture with AlliedSignal, the US automotive parts maker which is the world'a second biggest supplier of brake systems for trucks. Peter Marsh

Italy rail shake-up complete The industrial rationalisation of production in Italy's rail. and mass transit system has been completed with Breda, the rolling stock manufacturer, being absorbed into tha state-controlled Finmeccanica holding for L38.2bn (\$23.7m). Breda was part of Efim, the state industrial holding which collapsed in 1992. This was one of the last operations relating to the winding-up of Efim, which has cost the taxpayer more

than L15,000bn. In addition to the purchase price, Finmeccanica will assume L180hn of Breda-related debt. From the outset of Efim's collapse, Finmeccanica was auxious to obtain Breda. Its activities offered the missing link in an otherwise integrated presence in the mass transit and rail sector since Finmeccanica - through its Ansaldo subsidiary – already had a big presence in the metropolitan system, with a strong international position

In signalling and traffic control systems. Breda this year is expected to bave a turnover of L800bn, with the

prospect of ending a run of losses. Robert Graham, Rom

Coca-Cola in S Africa push

Coca-Cola and its seven South African bottling partners

will invest more than Ribn (\$219m) over the next five

years to expand marketing and distribution. Coca-Cola said it hoped by 2003 to double its sales in the South African soft drink market, worth R6.4bn rand a year.

amount. It said the the investment would be used primarily for purchasing coolers and other equipment and

availability, particularly in the country's emerging markets. Coca-Cola has annual sales of R4.8bn in South

Africa, with Spaza roadside shops in black townships accounting for more than R1bn of the turnover.

MONTHLY AVERAGES OF STOCK INDICES

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1764.30 1818.00

94.38 115.52

Coca-Cola itself is to contribute a "significant" portion of the new investment, but refused to disclose the

support systems that will significantly enhance drink's

travel network owned by Carlson of the US and Accor of

France, plans to announce partnerships with a series of

also plan to "explore and optimise all possible synergies

French and Italian regional cities, Alitalia said. Under the

Turin and Paris.

between the companies".

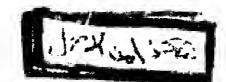
Alitalia, the Italian flag-carrier, said yesterday it had

Reuter, Stockholm

AFX News, Rome

AssiDomän in

Slovak move



# NEWS DIGEST lito Italiano

TUESDAY FEBRUARY

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Holzmann breaks The transport of the second of the second

Knorr-Bremse ahead 13% Knorr-Bremse, the Germany company which is the world's largest maker of railway hrakes, said net income for 1996 was DM42m (\$25.6m), a 13 per cent increase on the DM37m recorded for 1995. Sales were flat at DM1.46bn. from DM1.45bn in 1995. Mr Heinz Hermann Thiele, chairman and owner of the Munich-based company, said he hoped sales would increase by about 6 per cent in 1997, with a comparable rise in profits, although trading

appoints M&A ma

4409.0 1977.7 4414.1 2005.3 2068.9 2056.24 3418.82 1976.41 2040.44 FTSE Non-Financial 2104.75 FISE Financial FISE All-Share 3300.68 1951,16 2041.99 1874.42 1811.02 1992.82 1859.97 224.50 2031.40 224.78 223.47 FT/S&P-A World Index FTSE Indices 94,45 116.73 94.18 116.01 2790.1 FT Fixed interest 2779.8 1757.76

1720.94 43,611 FT Gold Mines SEAQ Bargains (5.00pm) 39.864 37,677 Highest close Jan 4275.8 31st 4595.4 31st 4469.4 2nd 2017.9 2nd FTSE 250 2115.5 31st 2087.61 31st

#### **COMPANIES AND FINANCE: INTERNATIONAL**

# Stainless tube maker looks to bright future

Tubacex has recovered from its crisis to become a leading performer on Spain's stock market

emerging from receiver receivership.
ership, a steel tube Mr Videga manufacturer in the Basque agreement with shareholders to buy a majority of shares in JCP Sturovo, a paper and paperboard company in the Spain's star stock market

In the second half of last year, Tubacex showed the biggest rise on the Madrid market with a 38.7 per cent gain. In January last year, the shares traded at a low of rsacbed double that level, frequently ranking among the most octively traded

"We were dead," says Mr Alvaro Videgain, the 45-yearold chairman, recalling the disastrous circumstances of five years ago, when everything went wrong for Tubacex - a market slump, low prices, an overvalued peseta and a misconceived attempt at diversification.

In 1992, Tubacex applied for suspension of payments to creditors, with debts of about Pto20hn (\$144m) Mr Vldegain, previously commercial director, led its recovery, taking it out of receivership 16 months later. He cut costs, raised productivity, abandoned the highvolume business and carbonsteel tubes, and concentrated on high-value stainless

The market value of the company, based at Llodio. along the river valley south

cent, on sales of Pta25bn. triumph makes up Pta136. This month they all sales were down. The pany's financial arrange

> minute. The Brussels verdict followed a three-year campaign led by Sterling Tubes, a UK subsidiary of Sweden's Sandvik engineering group, one of Tubacex's three European competitors in the restricted

the rescheduling of Tubacex's social security debts.

from Bilbao, now stands at further up the valley at about Pta35bn compared Amurrio, next to the group's

arely three years after with Pta2bn at the time of

Mr Videgain says consolidated net profits for last country has become one of year will be a record Pta3bn. an increase of about 85 per

The company's sense of reverses suffered in the course of the year. Prices were less favourable than the previous year, and over-Enropean Commission decided that part of the comments with the Spanish authorities were illegal aid. over were aborted at the last

field of seamless stainless steel tubes. The Commission upbeld part of the complaint. arguing that a 9 per cent loan from Spain's wage guarantee fund was below market rates, and disallowing

But it rejected other charges, including an allegation that the Basque regional government paid an inflated price for land it The companies shared the bought from Tubacex same clients in the oil and



steel-making subsidlary.

Mr Videgain says he is puzzled by the outcome, but reckons the cost of meeting Brussels' requirements will not exceed Pta60m-Pta80m.

Tubacex suffered another setback with a plan to take a controlling stake in a Basque capital goods producer. Mecánica de la Peña. The move surprised investors when it was announced in March, but for Mr Vide gain it "made a lot of sense". petrochemical industries

have doubled group sales, increasing capital by about 7 per cent. It was to be financed mostly through a Pta1.Stn convertible bond.

Tubacex had started issuing the bonds when it pulled out four months later. Under a gentlemen's agreement, it has declined to explain why. But it is believed to have been dissatisfied with Its access to financial information. Mecánica de la Peña has since been taken under the wing of the Norwegian Kyaerner group. Under its takeover plan.

payments, the first since 1990. But it decided instead to remunerate shareholders through reducing the nomithis measure this year and next, to about Pta75-Pta80. The next dividend - only the third in Tubacex's history -is set to be paid in 1999.

ubacex is meanwhile awaiting progress on plans by the Basque government which would eventually unite it with Spain's two other specialised tubes makers, both based in the same region – Productos Tubulares, now wbolly stateowned, and the semi-atate Tubos Reunidos. Tubacex is biding its time while discussions over the other two

companies drag on. It is an exception among Spanish stocks, not only as a heavy manufacturer in a market dominated by banks and utilities, but also as one of tha few companies with no large sharebolders - "100 per cent free-float," accord-

ing to Mr Videgain. The company attributes its ability to overcome its crisis to the lovalty of its shareholders, its creditors who agreed to swap most of their debt for convertible bonds. and its international clients. Some 80 per cent of group sales are exports, with but the need is now less exports accounting for 90 per cent of sales at the main

operation involving bonds and new shares - took place against a background of nal share value from Pta100 fierce local protests, in an to Pta93. It plans to repeat area where political tensions run high. Next door to Tuhacex's headquarters, a specialsteel plant closed down in

the same crisis. Tubacex cut about 400 jobs in the reorganisation. It now employs about 840, including a Pennsylvania subsidiary, Salem Tube, acquired in 1995. Having moved into stainless steel tubes in 1988. it now claims about 12 per cent of the world market.

Mr Videgain does not expect a repeat of last year's profit surge, but bopes to maintain the earnings level this year. He says the company is "reflecting" on the acquisition of more production capacity abroad

The company still has on its books some of the products of his predecessor's ill-starred diversification policy - including property interests in Houston and a About Ptal.Sbn was spent on paintings, with the idea thet they would be an anti-cyclical investment. Tubacex still owns about 80, including a Delacroix, two Corots, a Gericault and some modern Americans. Mr Videgain says he intends to sell them, urgent.

David White

In mergers and acquisitions

# Morgan means more brand alliances

More value for both buyers and sellers



Gillette's merger with Duracell is one af the lorgest consumer product transactions ever and one with odvantages for everyone. Gillette adds a leading brand. Duracell will enjoy unmatched distribution overseas. And both sets af sharehalders will receive significant benefits - mare than \$7 billion in enhanced value between the annauncement af the merger lost September and the clase of business at year-end.

Ta achieve o transaction this well constructed you need more objective advice, more expert onolysis, more thorough execution. That's why Gillette oppointed J.P. Morgon os its odvisor, and why so many other successful carparations da, too.

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# Petrobrás meets forecasts with 17% rise

By Geoff Dyer in São Paulo

Petrobras, the state-owned oil and gas group which is the largest company in Brazil in terms of sales, increased net profits in 1996 by 17 per cent, from R\$570m to R\$664m

The group, which is set to lose its monopoly in the domestic oil industry, said turnover in 1996 had advanced 27 per cent to R\$23.8bn, against R\$18.8bn the previous year. Analysts said the profit figures

were in line with expectations, but The Brazilian Congress is curtain that the deregulation amounts to a current level of about 780,000 bar- 1,000 ordinary shares. Eawere surprised at a R\$2.03bn rently examining a bill to deregulation amounts to a current level of about 780,000 bar- 1,000 ordinary shares. Eawere surprised at a R\$2.03bn rently examining a bill to deregulation amounts to a current level of about 780,000 bar- 1,000 ordinary shares. Eawere surprised at a R\$2.03bn rently examining a bill to deregulation. Mr Rai- rels a day to 1.47m barrels a day 1,000 shares were R\$6.12

ment (DNC), which could have a negative impact on cash flow.

The account with the DNC, which is now R\$7.71hn in credit, reflects the difference between costs incurred by Petrobrás in producing oil derivatives and the revenues received at prices set by the DNC. The petrol account stood at R\$3.46bn at the end of December and the alcohol account at R\$4.24bn.

increase in the group's surplus late the oil industry, after Congress with the National Fuels Depart- voted last year to end Petrobrás' monopoly. Under the terms of the bill, imports of petrol will be liberalised after three years and prices

will be freed. Petrobrás is likely to have free access to reserves already discovered and will have greater freedom to enter into joint ventures with foreign partners on specific

The government has consistently

mundo Brito, energy minister, said by the end of the decade. last week that Petrobrás' principal activities would not be sold as a result of deregulation.

Petrobrás said it invested a total of RS3.1bn last year, more than half of which went on exploration and production. Petrol production increased 13 per cent, largely thanks to activities in the Campos Basin oll field.

The group plans to spend \$22bn over the next five years in order to denied the claims of some deputies lift its domestic oil output from the

Of the group's total profits, R\$214m came from Petrobras' own activities and R\$450m from its subsidiaries, which include its distrihutlon network, overseas operations and petrochemicals

Net assets were R\$20bn at the and of December, while the return on assets in 1996 was 3.4 per cent. The board is recommending dividend payments of R\$6 per 1,000 preference shares, and R\$1.41 per 1,000 ordinary shares. Earnings per

#### **Apple** may sell **business** units

By Louise Kehoe in San Francisco

Apple Computer is expected

holders meeting may be a watershed. It marks his first anniversary at Apple and the first time investors will have an opportunity to pass judgment on his efforts to revive the company.

Appointed 12 months ago

after the ousting of his predecessor Michael Spindler, former Apple chief executive, Mr Amelio was heralded as a "turnround expert". He moved quickly to announce a three-year plan to return Apple to prof-

itable growth. Although Apple recorded a modest profit in the fourth fiscal quarter, which ended last September, the company plunged \$120m into the red in its first fiscal quarter, normally the strongest period for PC sales.

last month that it would reduce expenses to reflect lower sales expectations, and warned it might make further cuts in its 13,000 workforce after 1,500 job cuts last year. Analysts pre-dict that as many as 3,000 workers may be laid off.

There is also speculation that Apple may seek buyers for some parts of its business. In particular, the unit hand-held "personal digital assistant", launched in 1992, might be spun off if a buyer could be found, analysts

to announce sharp cuts in expenditure and possibly the sale of some business units as Mr Gil Amelio, chairman and chief executive, prepares to face sharebolders of the struggling US personal computer company on Wednesday. For Mr Amelio, the share-

Apple now expects 1997 revenues of about \$8bn. down 20 per cent from last

The company announced

Apple is also expected to announce restructuring moves increasing its focus on three segments of the PC market where sales are relatively strong - desktop publisbing, loternet content creation and education.

Analysts believe Mr Amelio will announce details of the cuts before Wednesday's meeting. Yesterday morning, bowever, Apple employ ees were still waiting to hear when such an announcement might be

AMERICAS NEW DIGEST

## Souza Cruz posts 3% fall for year

Souza Cruz, the Brazilian arm of BAT, the UK tobacco and financial services company, yesterday announced a 3 per cent drop in net profits in 1996 despite a slight rise in sales. The group recorded net profits of R\$203.8m (US\$195m), against R\$209.7m, after incurring a loss of R\$41m on the sale in May of a 28 per cent stake in Aracruz Celulose, one of Brazil's largest cellulose companies, to Anglo American of South Africa for

The sale formed part of a programme of disposals of non-core assets which began in 1992. Operating profits at Souza Cruz, which dominates the Brazilian cigarette market, increased 52 per cent to R\$238.9m (R\$156.7m).

Total sales in 1996 were slightly higher at R\$6.23bn (R\$6.14bn), despite a 1 per cent drop in volume of cigarettes sold in Brazil from 98.67bn to 97.8bn units. The group said this was less than the decline in the Brazilian market as a whole, and that its market share had risen. from 82.6 per cent to 83.3 per cent.

The group's exports, largely to western Europe and the rest of Latin America, made up for this shortfall, rising 9 per cent to 20.3bn units. Souza Cruz said that investment reached US\$147m last year, primarily on a new tobacco processing plant in Santa Cruz do Sul, in Rio Grande do Sul state. Earnings per share were R\$0.77.

Geoff Dyer, São Paulo

#### Write-off puts Elan in red

Elan, the Ireland-based drug company which completed a \$630m merger with Athena Neurosciences of California last year, reported a 33 per cent increase in net income to \$31.2m for the third quarter to December 31, up from \$23.4m in the same period in 1995. This was before taking account of a one-time charge of \$175m related mainly to the write-off of goodwill connected with the consolidation of Advanced Therapentic Systems, one of its off-balance sheet research vahicles. After charges, Elan reported a loss for the period of \$144.2m.

Revenues were up 52 per cent at \$84.6m, against \$55.7m in 1995. Product sales, which include contract manufacturing for clients and sales of Elan marketed products, more than doubled to \$47m. Research revenues were up 112 per cent to \$15.3m, while royalty and fee income was down 17 per cent to \$22.3m.

The consolidation of Athena, with a one off charge in the second quarter of \$484.9m, resulted in increased costs in the period to December. Expenses were up 52 per cent to \$53.9m, against \$35.3m. Pre-tax profit, before charges, for the nine-month period was up 40 per cent to \$88.1m, against \$62.8m in 1995.

John Murray Brown, Dublin. against \$62.8m in 1995.

#### Brazilian M&A activity surges Mergers and acquisitions in Brazil increased 53 per cent

in 1996, according to a report by accountancy firm KPMG, which provides further evidence of the widescale restructuring of the Brazilian economy.

The total number of transactions last year rose from 214 to 328. This compares with 58 takeovers recorded in 1992 when the report was first produced, at a time when the Brazilian government was just starting to liberalise its

The number of mergers and acquisitions involving foreign companies rose 25 per cent to 165 in 1996. However, transactions involving only domestic companies nearly doubled to 163, suggesting that the Brazilian corporate sector is beginning to take a more aggressive attitude towards the changing economic situation.

The food, drink and tobacco sectors witnessed the most corporate activity with 38 deals, while Brazil's bloated banking industry saw 31 mergers or acquisitions last year, according to the report.

#### Intel chief sees no slowdown Mr Andrew Grove, chief executive of Intel, the US

semicooductor manufacturer, said he saw no reason to expect a slowdown in growth for the semiconductor industry or his company, the world's biggest maker of computer chips. y depends on the growth of

industry," Mr Grove told a news conference at the World Economic Forum in Davos, Switzerland. "The growth of the industry has . . . for many years been in the high teens [as a percentage] and I really see no reason in the loog-term or the near-term for that number to be different.'

intel last mooth reported fourth-quarter profits more than doubled to \$1.9bn - its seventh consecutive year of record reveoues and earnings.

#### Inco in new Voisey's Bay find

Robert Gibbens, Montreal

# US carmakers keep a wary eye on Republic

The group's frenzied buying spree has thrown down a challenge that Detroit cannot ignore

ayne Huizenga, one of the bestknown entrepreneurs in the US, yesterday capped a frenetic start to 1997 with his 12th acquisition of the year, most of which have come in the car

That blistering rata of growth has forced Detroit in recent weeks to sit up and take note, leading to renewed attention to the fragmented and expensive sales network which serves the world's biggest automotive market.

Yesterday's \$55m acquisltion of a private car dealer in Florida takes to six the number of dealers that Mr Huizenga's Republic Industries has bought so far this year, for a total of about \$400m in Republic stock. Republic also agreed last month to pay \$600m for

National Car Rental and assume \$1.7bn of the company's debt, just months after agreeing to buy Alamo, another car rental company. January also brought small acquisitions of waste management companies and home security monitoring operations - businesses which Wall Street expects superstores and car rental will contribute \$950m and companies also has a clear recent weeks to relax their vately-held dealerships, \$150m, respectively, to logic, according to Republic: ban on public ownership to which fear they will lose out.

By Christopher Parkes

independent mini-conglomer-

\$650m and 4.900 employees.

house, will own balf the

company, to be known as L3

Lockheed will retain 35 per

Lockheed executives. The

value of the deal, which is

expected by the end of

March, was not disclosed.

ABN AMRO Bank N.V.

Banque Nationale de Paris

Dresdner Bank Luxembourg S.A.

Bank of Tokyo-Mitsubishi (Holland) N.V.

Morgan Guaranty Trust Company of New York

Australia and New Zealand Banking Group Limited

**ABN-AMRO** Bank

Citibank, N.A.

Société Générale

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Benedick of the Section of the Section of

Communications.

in Los Angeles

Add in the sale of \$550m of new equity and the comple- are acquired in parttion of the \$650m purchase exchange for new vehicles. of AutoNation, a fast-grow-ing operator of used car stock to feed AutoNation's superstores, and it has been quite a year for the Floridabased entrepreneur.

There is order behind this apparent chaos, says Mr

Republic plans to have more than 80 superstores by 2000

Michael Karsner, Republic's chief financial officer. The waste management and security husinesses, with high margins and strong cash flow, will provide the cash to support the expansion of AutoNation, he says. Republic plans to add 13

more superstores this year, taking the total to 20, and will have more than 80 by 2000. Mr Karsner adds. The combination of new car dealerships, used-car

Lockheed to spin off 10

units into new grouping

space group, is to spin off 10 Los Angeles investment

non-core businesses into an bank specialising in aero-

ate with annual revenues of and sales are expected fol-

Lehman Brothers Capital mega-mergers which entered

Partners, a division of the its closing stages recently New York-based finance with Boeing's takeover of

cent and the remainder is try's main objective was

being purchased by two restoring focus on core

The buy-out marks one of involved mainly in making

the earliest and higgest steps high-technology products,

in the expected "clean-up" while the parent group's

phase following consol· long-term focus was on

Lockheed Martin, the Kutier, president of Quarter- streamline operations fur-

space, dozens of spin-offs

lowing a four-year period of

McDonnell Douglas and Ray-

theon's purchase of Hughes

Mr Kutler said the indus-

operations and using asset

The businesses comprising

L3 Communications were

sales to pay down debt

at Partners, a

idation of the US defence major systems. Lockheed

According to Mr Jon would allow the group to

Republic's revenues this the cars and trucks being retired from rental fleets. along with vehicles which massive forecourts.

The company plans to continue bnying large dealers which operate close to the sites of its AutoNation stores, Mr Karsner says.

Until recently, Detroit was merely intrigued by Mr Huizenga's ambitions. But now, with the acquisitions flowing, the interest has turned more to anxiety. reflecting a concern about the effect Republic could have on the sale of new and used vehicles across the

Unlike parts of Europe, the US dealership system is the preserve of private - and mainly small - businesses, giving the carmakers considerable clout in the way their vehicles are sold.

ut Mr Huizenga has set out to challenge that by consolidating power in a very fragmented industry. He has already had an effect, with both General Motors and Ford agreeing to

said yesterday. The move

Remaining operations for-

merly grouped with the

spun-off assets will be inte-

grated into Lockheed's elec-

tronics and information ser-

vices divisions. Electronics

revenues of \$3.3bn in 1995

would increase to almost

\$8bn as a result, and infor-

mation services annual sales

would rise from \$4.5bn to

The management team at

LaPenta was senior vice-president of Loral.

more than \$7bn.



allow him to acquire their dealers.

chief financial officer, said last week: "Although the pribackbone of the distribution business, we have to acknowledge that change is here and will accelerate."

The carmakers remain cautious about the impact Republic will have - and not just because the company's incursions have cansed uproar among existing pri-vately-held dealerships,

The emergence of bigger ealers. more powerful, retailers
As Mr John Devine, Ford's could weaken the carmakers' power "in the same way that Wal-Mart put pricvate entrepreneur is the ing pressure on a whole range of other industries". says Mr David Garrity, an analyst at Smith Barney in New York. But, he adds, Mr Huizenga could belp to make cars more affordable by undercutting existing deal ers - something which could be in the long-run interest of the carmakers.

Richard Waters

# Empresas sale cuts debt ratio

By Daniel Dombey in Mexico City

Empresas La Moderna, the interests in seeds, packaging and tobacco, yesterday announced it had completed the \$240m sale of its Asgrow Agronomic subsidiary to Monsanto of the US.

Proceeds from the sale, which had been agreed in September of last year, will go to reduce La Moderna's high debt to equity ratio. The company ended last

year with debt to equity of

the new company will be led about 140 per cent, a figure it by Mr Frank Lanza and Mr expects to reduce to about 110 per cent as a result of Robert LaPenta, currently Lockheed group vice-presidents. Mr Lanza was presi-While most of La Moderdent of Loral, acquired by na's agrobusiness subsid-Lockheed last year, Mr

\$180m of sales in 1996, specialises in grain seeds. In December 1994, La Mod-

erna paid \$300m for Asgrow parent. Asgrow Seed's vege table seed division, which La Moderna is not selling, made about \$140m in sales last La Moderna's seed inter-

ests, grouped together in its Seminis subsidiary, account for about a fifth of the worldwide vegetable seed market. Seminis' revenues are likely to fall from about

\$560m for 1996 to \$400m in 1997. But it expects operating cash flow to stay at about \$70m, since the vegetable and fruit seed businesses have higher margins.

La Moderna expects total iaries are focused on fruit sales for 1996 to be \$1.6bn and vegetable seeds. Asgrow and operating cash flow to Agronomic, which had about be \$280m.

#### Inco, the Canadian mining group, has made a new find

that will expand reserves at its Voisey's Bay nickel-copper-cobalt property in Labrador, previously put at 150m tonnes of nickel-copper-cobalt ore. The find lies beneath the western ore zone, one of three making up the Voisey's Bay deposit, Initial drilling revealed grades ranging from 1.2 per cent to 2.8 per cent nickel, similar to those in the main Ovoid zone, Inco said.

# P&O Nedlloyd

#### **P&O Nedlloyd Container Line Limited** USD 1,000,000,000 Term and Revolving Credit Facility

Arrangers and Underwriters

ABN AMRO Bank N.V.

Senior Lead Managers and Co-Underwriters

Midland Bank pic Commerzbank Aktiengesellschaft London Branch ING Bank N.V. The Dai-Ichi Kangyo Bank, Limited The Bank of Nova Scotia

> Lead Managers Den Danske Bank

Bayerische Landesbank International S.A. Kredletbank Shipping Finance The Royal Bank of Scotland pic

CIBC Wood Gundy pic Landesbank Schleswig-Holstein Girozentrale (West LB Group) The Sumitomo Bank, Umited

Managers Banca Commerciale Italiana S.D.A. London Branch The Fuji Bank, Limited

Vereinsbank Group

The Sanwa Bank, Limited

De Nationale Investeringsbank N.V.

January 1997

MIDLAND

Menter HSSC CD Gross

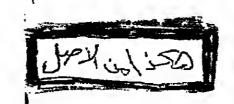
Rabobank International

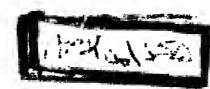
Westminster Health Care Holdings PLC

US\$85.000,000 7.37% SENIOR NOTES

Private placement of these Notes with Ins

ING BARINGS





# NEW DIGEST fall for year

TUESDAY FEBRUARY

Provided and of Blanch the UK Manager Committee of Blanch the UK Manager Committee of Resident and Committee of South Africa in

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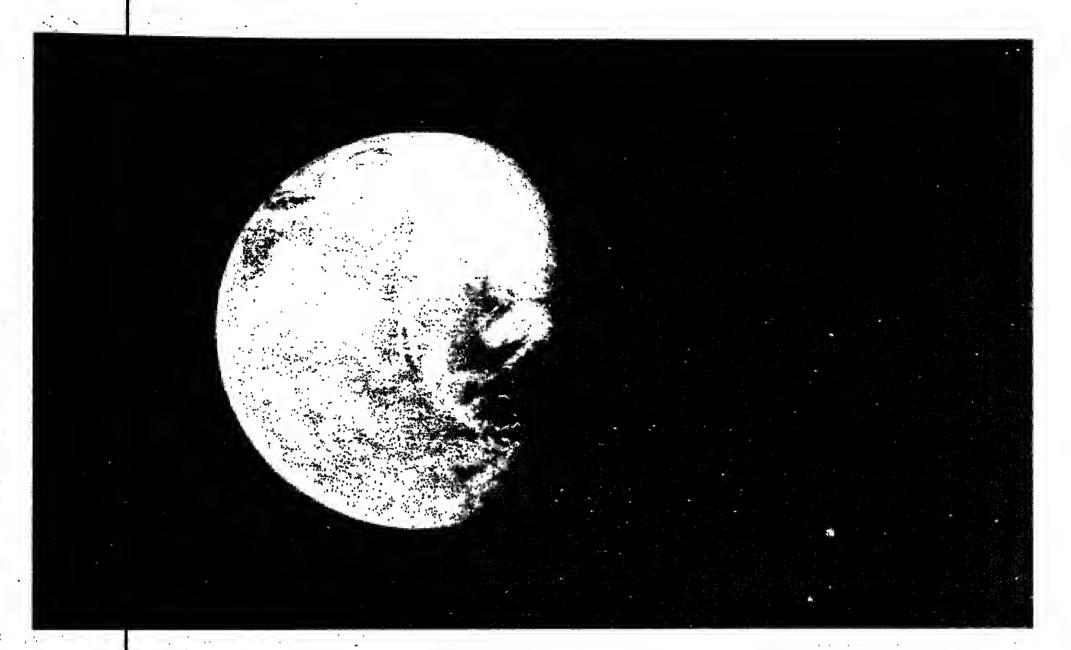
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INC BARINGS

1996 was a year when global capitalism was unleashed on an unprecedented scale. A year when our coordinated presence in every key country and capital market proved a decisive advantage.

Merrill Lynch was able to see the forces of change and understand their impact on people's lives. To clients who entrusted us with their futures, we provided a fuller, multidimensional picture of breaking developments around the globe. As a result we were able to transform risk, seize opportunity and create value for them in every region, under any scenario.

We appreciate the opportunities our clients gave us in 1996. For when our clients prosper, so do their families, their businesses and their communities, raising living standards and aspirations for people everywhere.

Working together to help shape a better world makes a difference.

The difference is Merrill Lynch.



#### Global Financial Institutions

Abbey National PLC Inaugural Preference Share Issue \$200,000,000

A I M Management Group Inc. has agreed to merge with INVESCO PLC \$1,615,000,000

American Re Corporation was acquired by Munich Reinsurance Company \$4,000,000,000

Aseguradora
Mexicana, S.A.
was acquired by Seguros
Comercial América,
S.A. de C.V.
\$128,000,000

Zealand Banking Group, Limited Subordinated Nores \$499,000,000 Banco Central Hispano European Preferred

Australia and New

Shares \$450,000,000 Banco Comezcial Português Exchangeable US Preferred Shares

Exchangeable US Prefer Shares, \$250,000,000 Banco Espirito Santo European Preferred Shares \$250,000,000 Banco Nacional de Mexico, S.A. Subordinated Exchangeable Capital Debentures \$326,000,000

Banco Português de Investimento, S.A. acquired Banco de Fomento e Exterior Group \$1,380,000,000

The Bank of New York Company, Inc. sold its AFL-CIO Union Privilege afficity credit card portfolio to Household International, Inc. \$3,975,000,000

Citibank Credit Card Master Trust I Asser-Backed Securities DM1,000,000,000

Clayton, Dubilier & Rice, Inc. sold Van Kampen American Capital, Inc. to Morgan Stanley Group Inc. \$1,175,000,000

CT Financial
Services Inc.
has agreed to sell First
Federal Savings and Loan
Association of Rochester
to Marine Midland
Bank, a subsidiary of
HSBC Holdings plc
\$700,000,000

First USA Paymentech acquired GENSAR Holdings Inc. \$170,000,000 Ioitial Public Offering and Add-ons \$379,000,000

Friends' Provident Life Office Eurosterling Bond Offering £215,000,000

HomeSide, Inc. Senior Secured Notes \$200,000,000 Bridge Loan \$90,000,000

Household Finance Corporation and Household International, Inc. Euro Yen Bonds Y15,000,000,000

Kookmin Bank Global Depositary Shares \$300,000,000

Mitsubishi Corporation Finance, plc Euro Yen Bonds ¥10,000,000,000 The Sakura Bank,

The Sakura Bank, Limited Series II Noncumularive Mandatory Convertible Preference Shares ¥150,000,000,000 Standard Pederal
Bancorporation, Inc.
has agreed to be
acquired by
ABN-AMRO Bank NV.
\$1,900,000,000

DEAL OF THE YEAR State Bank of India Global Depositary Receipts \$390,000,000

Tempest Reinsurance Company, Limited was acquired by ACE Limited \$956,000,000

Thai Farmers Bank Public Company Limited Subordinared Bonds \$200,000,000

Toronto-Dominion Bank acquired Waterhouse Investor Services, Inc. \$525,000,000

USF&G Corporation acquired Afianzadora Insurgentes Serfin, S.A. de C.V. from Grupo Financiero Serfin, S.A. \$65,000,000



Aetna Services Inc. Notes and Debentures \$1,393.000

24

Alza Corporation Convertible Subordinated Debentures \$500,000,000

Axogen Limited Units \$95,000,000 Bergen Brunswig Corporation

has agreed to merge with IVAX Corporation \$1,650.000.000 Beverly Enterprises, Inc.

sold its MedView Services business to Value Health, Inc. \$87.500,000 Boston Scientifie Corporatioo acquired Symbiosis

American Home
Products Corporation
\$153,000.000

Caremark
International Inc.
was acquired by
MedPartners/

Mullikin Inc.

\$2,600,000,000

Corporation from

Community Health Systems, Inc. was acquired by Forstmann Little & Co. \$1,265,000.000 Dura Pharmaceuticals, Inc.

Inc.
Common Stock
\$319,000,000

Élan Corporation, plc
American Depositary
Shares

S100,000,000
FHP International
Corporation
has agreed to be acquired
by PacifiCare Health
Systems, Inc.
\$2,200,000,000

Genesis Health Ventures, Inc. Common Stock \$211,000,000 Senior Subordinated Notes \$125,000,000 HCIA Ine Common Stock \$345,000,000

HealthPlan Services Corporation acquired Consolidated Group, Inc. \$62,000,000 Mariner Health Group Inc. Senior Subordinated Notes \$150.000.000

Microcide Pharmaceuticals, Inc. Ioitial Public Offering \$40,000,000

OrNda HealthCorp has merged with Tener Healthcare Corporation \$3,100,000,000 Oxford Health

Common Stock \$230,000,000 Pharmacia & Upjohn Global Common Stock \$2,000,000,000

Plans, Inc.

The Procter & Gamble Coropany and F. Hoffman-La Roche Ltd advised with respect to the value of their partnership Procter-Syntex Health Products Company

Company
Renal Treatment
Centers, Inc.
Convertible
Subordinated Notes
\$125,000,000

SmithKline Beecham PLC Preferred Stock \$750,000,000

DEAL OF THE YEAR
U.S. Healthcare, Inc.
was acquired by Aerna
Life and Casualty
Company
\$8.772,000,000

Waters Corporation Common Stock S366,000,000

DEAL OF THE YEAR
WellPoint Health
Networks Inc.
acquired the Group
Life and Health
subsidiary of
Massachusetts Mutual
Life Insurance
Company
\$380,000,000

Recapitalization S1.230,000,000 Common Stock S419,000,000 Agrium Inc. Tender Offer for Viridian Inc. Debr S392,506,000

Aristech Chemical Corporation Notes \$150,000,000

CBI Industries, Inc. was acquired by Praxair, Inc. \$2,300,000,000 DEKALB Genetics Corporation

sold a 40% economie

interest to Monsanto

Company \$158,000,000 E.I. du Pont de Nemours and Company has agreed in principle to sell its 50% stake in its Niachlor joint venture to

Olin Corporation

Value not disclosed

Forstmann Little & Co. sold Thompson Minwax Holding Corporation to The Sherwin-Williams Company

\$830,000,000 Freedom Chemical Company Senior Subordinated Notes \$125,000,000

W.R. Grace & Co.

has effected by means of a "Mottis Trust" structure the merger of National Medical Care, Inc. with Fresenius Medical Care AG \$4,600,000,000 sold its Dearborn watertreatment and process chemicals business to Betz Laboratories, Inc. \$632,000,000 has agreed to sell its Grace Cocoa business to Archer Daniels Midland Company \$430,000,000

sold its Amicon

Corporation

\$125,000,000

separation sciences

business to Millipore

Hanson plc has spun off Millennium Chemicals Inc.

Chemicals

\$1,900,000,000

Henkel KGaA
acquired the Novamax
Technologies specialry
chemical business of The
Molson Companies
Limited
\$187,000,000

IMC Global Inc. STRYPES<sup>56</sup> \$249,000,000 Prart & Lambert

Pratt & Lambert United Inc. was acquired by The Sherwin-Williams Company \$482.000,000 Tri Polyta Finance B.V.

Guaranteed Secured

\$184,000,000

Notes

Tessenderlo Chemie Equity Block Trade \$142,000,000 Zeneca Group PLC . . . .

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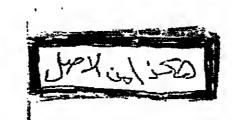
Agents.

SEMETHROUGH TITLE

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Zeneca Group PLC sold its Specialty loks business to a unit of Dainippon Ink & Chemicals Inc. \$62,000,000

Chemicals Inc. \$62,000,000 Zoltek Companies, Inc. Common Srock \$74,000,000



TUESDAY FEBRUARY

DEAL OF THE YEAR

Standard Federal

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State Bank of India

William Mappillary

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Company, Limited

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Public Company

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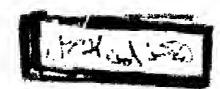
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\$100,000,000 \$100,000,000

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Bancomoranoa, Inc.

- 48N-42 (30) Bank No





#### **Automotive**

Blue Bird Body Company Syndicated Loans \$255,000,000 Senior Subordinared \$100,000,000

Borg-Warner Automotive, Inc. acquired the automotive businesses of Colrec Industries, Inc. \$277,000,000 Common Stock \$127,000,000

Desc, S.A. de C.V. American Depositary Shares \$79,000,000

General Motors Acceptance Corporation Inaugural Samurai Bonds ¥56,000,000,000

General Motors Corporation restructured its holding in Saab Automobile AB through a capital injection, a loan conversion and the structuring of an option agreement with Investor AB with regard to its holding in Saab Automobile AB Value not disclosed

Hayes Wheels International Inc. has agreed 10 acquire Lemmerz Holding GmbH \$365,000,000 Syndicated Loans \$645,000,000

Larizza Industries, Inc. was acquired by Collins & Aikman Corporation \$174,000,000

Lobdell Emery Corporation was acquired by The Oxford Investment Group Value not disclosed

Prince Holding Corporation sold its Prince Automotive subsidiary to Johnson Controls, Inc. \$1,350,000,000

The Pullman Company was acquired by \$328,000.000



#### Capital Goods

Danaher Corporation acquired Acme-Cleveland Согрогация \$201,000,000 Common Stock \$77,000,000

E.I. Holdings Corporation was acquired by Assa Abloy AB \$242,700,000

Elsag Bailey Process Automation (a company of the Finmeccanica Group) acquired Hartmann & Braun from Mannesmann AG \$718,000,000

General Signal

Honeywell Inc.

"Holderbank"

Value not disclosed

sold its L&N Products

Financière Glarus AG

through its subsidiary

"Holdercim" Brasil S.A.

acquired Companhia de

Cimenm Portland

Value not disclosed

Sfr250,000,000

Corporation

unit to

Paraiso

LYONS\*

Cable Systems International, Inc. Syndicated Loans Syndicated Loans \$950,000,000 \$170,000,000 Convertible TOPrS\*\* \$200,000,000 Caterpillar, Inc.

acquired the MaK Maschinenbau GmbH unit of Fried. Krupp AG Hoesch-Krupp Value not disclosed acquired an interest in F.G. Wilson from Emerson Electric Company Value not disclosed

AEA lovestors Inc.

acquired the Mettler-Toledo division of

Ciba-Geigy AG \$770,000,000

Syndicated Loans \$387,000,000

\$135,000,000

Bridge Loan \$135,000,000

Group plc \$101,000,000

Burnfield PLC

defense with respect m

the unsolicited offer

received from Fairey

Notes

Senior Subordinated

Ingersoll-Rand Company sold its Pulp Machinery Division to Harnischfeger Industries, Inc. \$125,000,000 sold in Process Equipment Division to Gencor Industries, Inc. \$72,000,000 has agreed to sell its Clark-Hurth

Components unit to Dana Corporation Value not disclosed KCl Konecranes Initial Public Offering and Add-on Shares

\$223,000,000 Kawasaki Heavy Industries Common Stock ¥6,312,000.000

Manchester Tank & Equipment Co. was acquired by AEA Investors Inc. Value not disclosed

Rafineria Gdanska Private Placement \$100,000,000

DEAL OF THE YEAR Swire Pacific Limited Preferred Shares \$300,000,000

Tyco International Ltd. acquired Carlisle Plastics Inc. \$315,000,000



#### Natural Resources

Altos Hornos de International Paper Senior Debt Mexico \$175,000,000 Discount Convertible Kaiser Aluminum & \$73,000,000 Chemical Co. AMCOR Limited Senior Notes

Notes

PRIDES:N

Commonwealth

\$307,400,000

Variate Notes

Haynes

\$449,000,000

Senior Notes

\$150,000,000

International, Inc.

IMCO Recycling Inc.

from EnviroSource, Inc. \$58,000,000

Syndicated Loans

\$125,000,000

\$230,000,000 Placer Dome Inc. CasTech Aluminum COP<sub>t</sub>S<sup>\*\*</sup> \$299,000,000 Group Inc. was acquired by Plum Creek Timber

Company, L.P. Aluminum Corporation acquired the mid-south forestlands and solid-Fletcher Challenge wood conversion facilities Capital Canada Inc. of Riverwood International Corporation \$540,000,000

Interests

\$226,000,000

\$153,000,000 QUNO Corporation was acquired by Donohue Inc. acquired IMSAMET, Inc. C\$1,300,000,000

Limited Partnership

Reynolds Metals Company has agreed 10 sell its residential construction operations 10 AmeriMark Inc

Sanifill, Inc. was acquired by USA Waste Services, Inc. \$1,800,000,000

Value not disclosed

Steel Authority of India Global Depositary Receipts \$125,000,000

Valmet Corporation Global Common Stock \$378,000,000

WMC, Ltd. Senior Notes \$398,000,000

Western Waste Industries merged with USA Waste Services, Inc. \$700,000,000



#### Information Technology

**ASAP Software** Express, Inc. was acquired by Corporate Express, Inc. Value not disclosed

AT&T Corporation sold ImagiNatioo Network Inc. to America Online, Inc. Value not disclosed

was acquired by Thomas & Berts Corporation \$550,000,000 CSC Enterprises

Augat Inc.

Senior Notes \$150,000,000

BREAKTHROUGH DEAL Cisco Systems, Inc. sequired StratzCom, Inc. \$4,666,000,000 acquired

Telebit Corporation \$197,100,000 acquired TGV Software, Inc. \$119,000,000

BREAKTHROUGH DEAL Electronic Data Systems Corporation Secondary Sale of Common Stock by General Motors Special Hourly Employees Pension Trust \$1,072,000,000

General Motors Corporation split off Electronic Data Systems Corporation m its Class E Common Stock bolders \$27,720,000,000

Hewlett-Packard Finance Company Euro Yen Bonds ¥10,000,000,000

Hyundai Electronics Industries Co., Ltd. thmugh Hyundai Electronics America acquired the 60.2% of Maxtor Corporation it did not already own \$391,000,000

KEMET Corporation defense with respect m an unsolicited offer received from Vishay Intertechnology, Inc.

Merisel, Inc. sold its European and Latin American businesses to CHS Electronics, Inc. \$154,000,000

Solectron Corporation acquired Force Computers Inc. \$205,000,000 acquired the custom manufacturing services business in Texas and Malaysia of Texas Instruments Incorporated \$130,000,000 Convertible Subordinated Notes \$230,000,000 Senior Notes \$150,000,000

Unisys Corporation Coovertible Subordinared Notes \$299,000,000 USCS International,

Initial Public Offering \$94,000,000



#### Global Communications

Mannesmann AG Bank acquired a 49.8% stake in DBKom from

DEAL OF THE YEAR Bell Arlantic Corporation has agreed to merge with NYNEX Corporation \$33,100,000,000

Cablevision Systems Corporation Redcemable Preferred \$650,000.000

Cox Communications, Inc. STRYPES<sup>54</sup> \$224,000.000

Dow Jones & Company, Inc. in parenership with ITT Corporation acquired WNYC-TV \$207,000,000

Hollinger International Inc. through The Telegraph plc sold a 25% stake (4.99% of which is subject to shareholder approval) in John Fairfax Holdings Ltd. to Brierley Investments Ltd. \$437,000,000

DEAL OF THE YEAR Infinity Broadcasting Corporation was acquired by Westinghouse Electric Corporation \$5,000,000,000

Allbritton Communications Company Senior Subordinated Debentures \$274,000,000

> Deutsche Bahn AG S662.000.000 Microcell Telecommunications Inc. Senior Discount Notes and Warrants

\$200,000,000 Multicanal Participações S.A. American Depositary Shares \$155,000,000 Senior Guaranteed Notes

as leader of a consortium

Unisource and Deutsche

which also includes

AT&T Corporation.

\$185,000,000 NetSat Services Ltd. Senior Secured Notes \$200,000,000

News America Holdings Incorporated \$1,000,000,000 News Corporation

Exchange Trust Exchangeable Convertible TOPrSSM \$1,000,000,000 Occidente y Caribe Celular, S.A. Senior Discount Notes

PTT Telecom BV (subsidiary of Vision Networks NV) acquired a 17.28% stake in P.T. Telekomunikasi Selulat Indonesia 5304,000,000 Pacific Telesis Group TOP<sub>r</sub>S<sup>Ed</sup>

\$1,000,000,000

\$100,000,000

Park Broadcasting, Inc. Senior Notes \$235,000,000

Park Communications. Inc. Senior Pay-In-Kind Notes \$80,000,000

Poland Communications, Inc. Senior Notes \$130,000,000

DEAL OF THE YEAR Portugal Telecom, S.A. sale of additional shares by The Government of Portugal \$944,000,000

The Providence Journal Company Initial Public Offering \$123,000,000

Rogers Cantel Senior Secured Debt \$843,000,000

Rogers Communication Senior Notes \$100,000.000 The E.W. Scripps Company has effected by means of a "Morris Trust" structure the sale of its

cable business m Concest Corporation \$1,575,000,000 DEAL OF THE YEAR Sprint Spectrum L.P.
Senior Notes

\$750,000,000

DEAL OF THE YEAR ... Telefonica Del Pern American Depositary \$918,000,000 Teleport Commun

Tele-Communications,

has spun off TCI Satellite

distribution to its holders

operations of Viacom Inc.

Tele-Communications

International, Inc.

Convertible Bonds

\$345,000,000

Entertainment, Inc.

through a tax-free

of common stock

acquired the cable TV

\$1,121,000,000

\$2,325,000,000

Group Inc. Initial Public Offering \$432,000,000 Tribune Company

has agreed in acquire Renaissance Communications Согротавіов \$1,113,000,000 Turner Broadcasting

System, Inc. merged with Time Warner Inc. \$10,800,000,000

DEAL OF THE YEAR The Walt Disney Company Senior Notes \$2,600,000,000

Young Broadcasting Inc. Senior Subordinated Notes and Common Stock \$364,000,000

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Municipals

Baptist Health System, Inc. Alabama Tax-Exempt Acquisition and Refunding Bonds \$79,265,000

California Housing Finance Agency Home Mortgage Revenue Bonds \$140,000,000 The City of New York General Obligation

Bonds, Tax-Exempt

and Taxabic

\$982,475,000 Contra Costa Transportation Anthority Sales Tax Revenue Bonds (Limited Tax Bonds) \$185,425,000

Dade County Educational Facilities Authority Revenue Refunding Bonds (University of Miami Issuel \$71,445,000

Florida Ports Financing Revenue Boods \$222,320,000 Hackensack University Medical Center

A Taxable Off Balance Sheer Master Lease Financing \$66,600,000 Hawaii Hurricane

Relief Fund Syndicated Loan Facility \$750,000,000 Inova Health System Virginia Tax-Exempt Health Care

Revenue Bonds

\$104,000,000

Massachusetts Health and Educational Facilities Authority Baystate Medical Center Revenue Bonds \$78,545,000

Presbyterian Healthcare Dallas, Texas Tax-Exempt Capital Project and Refunding \$110,250,000

Puerto Rico Highway and Transportation Authority Reveoue and Refunding Bonds \$1,075,275,000

San Bernadino County, California Certificates of Participation (Medical Center Financing Project) \$65,070,000

Shands Teaching Hospital and Clinics, Inc. Florids Tax-Exempt Acquisition

and Project Funding Bonds \$150,000.000 South Dakota Housing Development Amhority Homeownership

Mortgage Bonds \$120,645,000 State of Connecticut General Obligation

\$159,055,000 State of Washington Adjustable Rare General Obligation Bonds \$100,000,000

Wisconsin Housing and Economic Development Authority Home Ownership Revenue Bonds \$60,000,000

City of Gdansk

DEAL OF THE YEAR. City of Naples \$195,000,000

Council of Europe Eurobonds

DEAL OF THE YEAR CYBER-VAL 07 96

European Bank for Reconstruction and Development Euro Yen Bonds Y5,000,000,000

The Export-Import. Bank of Japan Euro-Asian Bonds \$750,000,000

DEAL OF THE YEAR Famic Mac Global Notes V100,000,000,000

Finnish Export Credit Samurai Bonda 000,000,000,01¥ Government of

Kazakhstan sold 90% of Yuzhneftegaz Production Association to Hurricane Hydrocarbons Ltd. \$400,000,000

Government of Kazakhetan

PLN 99,300,000

\$500,000,000

Floating Rate Secused Firencing Ff:40,000,010,000

Development Euro Yea Bonds ¥35,000,000,000 Global Bonds \$992,000,000

Ff:3,000,000,000

Municipality of Rio de Janeiro Yankee Notes \$125,000,000

DEAL OF THE YEAR People's Republic

\$230,000,000 Petróleos del Perú S.A. Guangdong International Trus Refineria La Pampilla. & Investment S.A. to a consortium including Repsol S.A. \$180,500,000 Corporation Yankee Bonds \$200,000,000

Sovereigns & their Agencies

Hellenic Republic Europonds DMI.000.000,000 sold its Block X oil and

DEAL OF THE YEAR later American Development Bank Global Bonds \$1,000,000,000

sold an 85% stake in the

Shymkent oil refinery to

a consoroum led by

Vitel S.A.

International Bank for Reconstruction &

Kingdoto of Sweden Eurobonds

of China Yankan Noor and Bond \$400,000,000

sold its 60% interest in sold its Block 8/8X oil and gas licensing contract to a consortium led by Physperrol Perú Corp. \$142,200,000

gas licensing contract to Perez Compane S.A. \$202,000,000 DEAL OF THE YEAR Province of Ontario Global Bonds

Republic of Argentina Global Bonds \$1,000,000,000

C\$1,250,000,000

Republic of Colombia Privarization of Banco Popular \$274,000,000

DEAL OF THE YEAR .. Republic of Italy Floating Rate Notes Global Issue. \$2,000,000,000

Republic of Lithuania Domestic Bonds Licas200,000,000 Republic of Moldova

Private Placement \$30,000,000 Republic of South Africa Yankee Bonds \$297,000,000

State of Israel Euro Medium Term Notes Programme \$750,000,000 Eurobonds \$200,000,000

Swedish Export Credit **Dual Currency** Samurai/EuroYen Bonds ¥28,000,000,000

Swedish Ministry of Finance has agreed to sell its 34% stake in Stadshypotek AB Handelsbanken AB \$1,040,000,000

DEAL OF THE YEAR United Mexican Global Bonds \$1,900,000,000



#### Real Estate/Lodging & Entertainment

Alberta Energy Cotopany Ltd. acquired Conwest Exploration Company Limited \$800,000,000

**Apache Corporation** acquired The Phoenix Resource Companies, Inc. \$400,000,000

Arethusa (Off-Shore) Limited was acquired by Diamond Offshore Drilling, Inc. \$963,000,000

Atlantic Richfield Company stake in Russian state-owned LUKoil through the acquisition of convertible bonds Value not disclosed

Atmos Energy Corporation has agreed to merge with United Cities Gas Co. \$501,000,000

BJ Services Company acquired NOWSCO Well Service Ltd. \$581,300,000 Common Stock \$335,000,000 Senior Notes \$124,000,000

The Brooklyn Union Gas Company has agreed to merge with Long Island Lighting Company \$8,200,000,000

C

West and the second sec

Commonwealth Edison Company has agreed to sell the Kincald Generating Station and the State Line Generating Station to affiliates of Dominion Energy, Inc. and Southern Company,

**Energy & Global Power** 

respectively \$250,000,000 Delmarva Power & Light Company has agreed to merge with

Atlantic Energy, Inc. \$2,200,000,000 Diamond Offshore Drilling, Inc. Commoo Stock

\$394,000,000 Electrafina SA and Royale Belge SA (affiliates of Groups Bruxelles Lambert SA) sold its 24.5% stake in Tractebel SA to Société Générale de Belgique \$1,600,000,000

Елгол Согр. TOPtS \$200,000,000

Flores & Rucks Inc. Common Stock and Notes \$310,000,000

GPU, Inc. in partnership with Cinergy Corp. acquired Midlands Electricity plc \$2,610,000,000

Kansai Electric Power Company, Incorporated Euro Boods \$500,000,000 Euro Bonds Ff:3,000,000,000

Southwest Gas DEAL OF THE YEAR Corporation Kansas City Power & Light Company pending defense with \$190,000.000 respect to an

unsolicited offer from Western Resources Inc. West Corporation \$890,000,000 Marubeni Corporation acquired a 29.5% stake in Sithe Energies. Inc.

Kern River Gas Transmission to The Williams Companies, Inc. \$205,000,000

Tide West Oil Согорацу has merged with HS Resources, Inc. \$202,000,000

Common Stock and del Sur S.A. Convertible TOPrS Notes

\$286,000,000 DEAL OF THE YEAR OMV Secondary Offering

\$393.000,000 Pacific Enterprises has agreed to merge with Enova Corporation

\$2,850,000.000

\$267,000,000

**Noble Drilling** 

Common Stock

\$409,000,000

Iocorporated

\$3,750,700,000

NotAm Energy Corp. has agreed to be acquired

by Houston Industries

Corporation

Notes and

\$4,383,000,000 Pacific Gas Transmission Company has agreed to acquire Teco Pipeline Company

\$380.000,000 PanEnergy Corp has agreed to merge with Duke Power Company

\$10,000,000,000 Phillips Petroleum Cotopusy TOP:5<sup>54</sup> \$300,000,000

sold PriMerit Bank, FSB to Norwest Corporation

Tejas Gas Corporation acquired Transok, Inc. from Central and South

Tenneco Inc. sold its 50% interest in

Transportadora de Gas

\$150,000,000 Ultramar Corporation merged with Diamond Shamrock, Inc.

\$2,000,000.000 United Meriden Corporation Common Stock \$306,000,000

> Unocal Corporation sold its crude and natural gas assets in California to a subsidiary of Torch Energy Advisors Inc. \$516,000,000

WPL Holdings, Inc. has agreed to a three-way merger with IES Industries Inc. and Interstate Power Company to form loterstate Energy Corporation \$3,500,000,000

BREAKTHROUGH DEAL Belly Entertainment Corporation has merged with Hillson Hotels Corporation 53,000,000,000

Beacon Properties Global Common Stock \$755,000,000

Bristol Hotel Company has agreed to acquire 61 Holiday Inn horels from Bass PLC \$659,000,000

CarrAmerica

Realty Corp. Common Stock \$164,000,000 sold a strategic equity investment to Security Capital Holdings S.A. \$250,000,000

Casino America Inc. Senior Secured Notes \$315,000,000 **CB** Commercial Real Estate Services

Groop, Inc.

Initial Public Offering \$87,000,000 Chateau Properties, Isc. has agreed to merge with ROC Communities, Inc. \$1,069,000,000

Crescent Real Estate Common Stock \$464,000,000

Crocker Realty Trust, loc. was acquired by Highwoods Properties, Inc. \$540,000,000

Equity Residential Properties Debr and Equity \$446,000,000 Essex Property

Trust, Inc.

\$135,000,000 Franchise Finance Corp. of America Franchise Loan Pass-Through Certificates \$179,000,000

Commoo Stock

General Electric Capital Corp. Marterhoro One \$826,000,000

HFS Incorporated acquired Coldwell Banker Corporation from The Fremont Groop, Inc. \$740,000,000 acquired Resort Condomioiums International Inc. \$825,000,000

Interstate Hotels Corp. Initial Public Offering and Common Stock Add-ons \$376,000,000 Bridge Loan \$195,000,000

Kaufman & Broad Horoe Corporation Senior Subordinated Notes \$125,000,000

P.T. Kawasan Industri Jababeka Tbk Global Depositary \$70,000,000

Kranzco Realty Trust

Commercial Mortgage Pass-Through Certificates \$181,700,000 Ladbroke Group plc has agreed to a worldwide hotel and

gaming alliance with Hilton Hotels Corporation Value not disclosed Marriott

International Inc.

has agreed to be

Property Trust \$610,000,000

acquired by Camden

LYONS \$287,000,000 New York Life Insurance Co. Real Estate Portfolio Sale \$340,000,000 Paragon Group, Inc.

DEAL OF THE YEAR Simon Property Group, Inc. acquired DeBattolo Realty Corporation S3,019.000,000 · · ·

Solidere Global Depositary Receipts \$77,000,000

Starwood Lodging Trust Common Stock \$451,000,000

Thistle Hotels Plc Initial Public Offering \$563,000,000 Unibail has formed Crossroads Property Investors

a Real Estate Partnership Ffr1,608,000,000 United Dominion Realty Trust, Inc. acquired South West

Property Trust Inc. \$528,000,000 World Financial Properties Commercial Mortgage Loan Lease-Backed Certificate \$1,307,000,000

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DEAL OF THE YEAR

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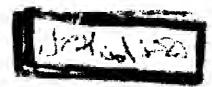
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#### **Private Equity**

Best Friends Pet Care Convertible Preferred Stock \$23,000,000

Bruckman, Rosser, Sherrill & Co., L.P. Private Equity-Buyouts \$325,000,000

Cinven Capital Partners Private Equity-U.K. and European Buyouts £300,000,000

Euroknights III Private Equity-European ECU 97,200,000

Fremont Partners, L.P. Private Equity-Buyouts \$602,000,000

Silicon Video Corporation Coovertible Preferred Stock 555,000,000

Supermarkers . Holding, L.P.
Private Equity-Argentine Supermarket Buyouts \$215,000,000 Bridge Loan \$130,000,000 Syndicated Loans \$100,000,000

Thayer Equity Investors III. L.P. Private Equity-Buyouts \$364,000,000

Zell/Merrill Lyoch Real Estate Opportunity Partners IV Private Equity 5593,000,000

America West Airlines Common Stock \$141,000,000 Aviall, Inc. sold its engine and

component repair Air Services, Inc. \$250,000,000 sold its accessories repair business to Curtis-Wright Flight Systems, Inc. \$20,000,000 sold its Actospace Distribution operations to an investor group led by Odyssey Partners

> BE Aerospace, Inc. Senior Subordinated Notes \$100,000,000

Value nor disclosed

Canadian Pacific Limited corporate restructuring wbich included separating its non-rail from rail businesses Value not disclosed



#### Transportation

Consolidated Freightways, Inc. has spun off its CF MotorFreight uoit, its Canadian operations and other related businesses

through a tax-free distribution to shareholders Value not disclosed Continental Airlines, Inc. Common Stock

\$210,000,000 FlightSafety International, Inc. was acquired by Berkshire Hathaway, Inc.

\$1,500,000,000 lberia L.A.E. sold a stake in Aerolinas Argentinas, Austral and Ladeco to Andes Holding BV

\$545,200,000 KLM Royal Dutch Airlines sold preferred stock in Northwest Airlines Inc. to Northwest Airlines Inc. 5227060,000

Mayne Nickless, Ltd. Senior Notes \$349,000,000

Norfolk Southern Corporation has offered to acquire Conrail Inc. \$12,800,000,000 Syndicated Loans

> Quad-C, Inc. sold a 40% stake in TDS Logistics, Inc. to Harper Group, Inc. Value not disclosed

\$13,000,000,000

Railroad Association Insurance, Ltd. was acquired by X.L. Insurance Co. Ltd. Value not disclosed

Trans Ocean Ltd. was acquired by Transamerica Corporation \$112,000,000

**UAL Corporation** offer to exchange its TOPrS<sup>M</sup> for its existing UAL Series B Preferred Value not disclosed

Ann Taylor Stores Corporation Convertible TOPrS<sup>a</sup>

\$101.000,000 Blue Square-Israel Ltd. American Depositary \$~6,000,000

Brylane, L.P. acquired certain assets of Chadwick's of Boston from The TJX Companies, Inc. \$300,000,000 Syndicated Loans

Consolidated Stores Согрогатіоп Common Stock 5200.000.000

Controladora Comercial Mexicana, S.A., de C.V. Common Stock

Designer Finance Trust Convertible TOPrSM 5120,000,000

\$248,000,000



Retail/Apparel

BREAKTHROUGH DEAL Eckerd Corporation has agreed to be

Company, Inc. \$3,300,000.000

\$408,000,000 \$126,000,000 Mossimo, Inc.

Bridge Loan \$100,000,000

548,000,000

Designer Holdings Ltd. Initial Public Offering

acquired by J.C. Penney

Fingerhut Cos. Inc. Asset Back Certificate \$606,000,000

G. R. Herberger's, Inc. has agreed to be acquired by Proffitt's, Inc. \$185,600,000

Guess?, Inc. Initial Public Offering

Initial Public Offering \$83,000,000

BREAKTHROUGH DEAL Office Depot, Inc. has agreed to merge with Staples, Inc. \$4,366,000,000

J.C. Penney Company, Inc. acquired Fay's Inc. \$343,000,000

The Pep Boys -Manny, Moe & Jack LYONS<sup>56</sup> \$150,000,000

Quality Food Centers, Inc. has agreed to acquire Hughes Markets, Inc. and Keith Uddenberg, Inc.

\$450,000,000 Republic Industries, Inc. acquired AutoNation Incorporated

\$646,000,000 Sears, Roebuck & Co. Asset Back Certificate \$523,000,000 acquired Orchard Supply Hardware Stores Corporation \$414,000,000

The Stop & Shop Companies. Inc. was acquired by Royal Ahold NV \$2,950,000,000



#### 1996: Recognition for making a difference.

#### Asiamoney

Investment Bank of the Year

Euromoney Best Brokerage Firm

International Equity Research House Japan-Best Foreign Securities Lead Manager, Euro and Global Bonds Most Innovative Derivatives House Switzerland-Best Foreign Bank United States—Best Securities Firm

#### Finance Asia

Best Debt Distribution House: International Best Debt House Best Investment Bank in the Region Best MTN House

#### Global Finance

Hong Kong Team ranked #1: Debt Origination Debt Sales & Trading **Equity Origination** 

#### Institutional Investor

#1 All-America Research Team Survey

#1 in Fixed Income Research #1 in Fixed Income Trading

#### International Financing Review

Australia/New Zealand Finance House Deutsche Mark Bond House Eastern Europe Debt House FRN House Foreign Yen Bond House India Finance House Larin American Debt Research House Latin American Equity House Securitisation House U.S. Debt Hause U.S. Equity House

#### **World Equity**

North American Equity House

#### Consumer Products & Services/Food & Beverage

APAC TeleServices, Inc. Common Stock \$345,000,000

The Alberto-Culver Company acquired St. Ives Laboratories, Inc.

\$115,000.000 BET Public Limited Company was acquired by Rentokil Group PLC \$3,200,000,000

Carson, Inc. Initial Public Offering . . \$67,000,000

Dover Downs Entertainment, Inc. Initial Public Offering \$49,000,000

Einstein/Noah Bagel Corp. Common Stock

\$132,000,000 Foodbrands America, Inc. Senior Subordinated \$120,000,000

The Gillette Company acquired Duracell International Inc. \$7,748,000,000 Golden Bear Golf, Inc.

Ioroal Public Offering \$40,000,000 Igloo Haldings Inc. was acquired by Brunswick Corporation

\$154,000,000

James River Corporation of Virginia sold its Flexible Packaging group to "
Printpack Inc. \$372,000,000

Kimberly-Clark Corporation licensed the Scottier facial rissue brand and sold a rissue mill in New York to a subsidiary of . D. Irving, Limited Value not disclosed Kimberly-Clerk de

Mexico, S.A. de C.V. and SCA Molniycke AB advised with respect to the value of their Mexican joint venture Kohlberg Kravis Roberts & Co. acquired a majority stake in the parent company of Spalding & Eventio Companies, Inc.

Value not disclosed Syndicated Loans \$650,000,000 Senior Subordinated \$200,000,000

Masco Corporation sold its Home Furnishings Group to a company formed by Citicorp Venture Capital Limited. \$1,030,000,000

Corporation 7½% Subordinated Deferrable Interest Debennures \$200,000,000 3X% Swiss Franc Notes Sf:250,000,000

McDonald's

Metro Pacific Capital Limited Convertible Bonds \$135,000,000 . . NuSkin Asia

Pacific, Inc. Initial Public Offering \$241,000,000 Rayovac Corporation was acquired by The Thomas H. Lee Company

Revion, Inc. Initial Public Offering \$207,000,000 Rockshox, Inc. Initial Public Offering

Value not disclosed

\$72,000,000 S.T. Dupont Initial Public Offering \$91,000,000

International, Inc.

Value not disclosed

Simmons Company was acquired by

Smarte Carte Corporation was acquired by Haas Whear & Partners Incorporated \$113,500,000 Syndicated Loans \$103,000,000 Snyder

Communications, Inc. Initial Public Offering \$152,000,000 Specialty Foods

Corporation sold BGH Holdings, Inc. and Burns & Ricker, Inc. to Bruckmann, Rosser, Sherrill & Co., Inc. Value not disclosed

Swisher International Group, Inc. Initial Public Offering \$102,000,000

Syratech Corporation has agreed to be acquired by a company formed by The Thomas H. Lee Company \$316.000,000

Initial Public Offering \$87,000.000 US Foodservice Inc. has merged with Rykoff-Sexton, Inc. \$620,000,000

TelePizza, S.A.

Issued and approved by Merrill Lynch International, regulated by the Securities and Futures Authority Limited.



# Matsui move heralds Japan discount broking

By Gwen Robinson In Tokyo

decision by a small privately-owned Japanese securities company to cut some trading commissions heralds Japan's first wave of discount broking.

Matsui Securities said last Friday it planned to halve commissions on trades of over-the-counter shares and convertible bonds from March. It said yesterday it would bring forward its timetable to February 17, in response to investors' enthu-

Matsıri's decision follows similar moves by other securities compa-

expected to hasten the debate on financial deregulation among the Y20,500. Matsul'a move would government-appointed working bring the fee down to Y10,250. groups in charge of planning the changes. One group is studying

stockbroking commissions. Although fixed rates of commission apply to all trades up to Y1bn (\$8m) in value on Japan's stock exchanges, fees for trading in OTC stocks can be set freely under the rules of the Japan Securities Dealers Association.

Up to now brokers have charged

shares, for example, are presently

The average monthly trading value of Japan's OTC market is proposals for full liberalisation of about Y800bn. Foreign securities houses account for about 9 per cent of brokers' market share in Japan.

> For a stock exchange transaction 500 shares from a Japan-based securities company comes to just

companies in Tokyo.

Japan's 280 accurities houses have traditionally relied on high commission fees for much of their

Mr Masashi Suzuki, chairman of the securities dealers association, estimates that for smaller brokers, commissions account for as much involving a blue-chip issue such as as 90-100 per cent of earnings. For Sony, the commission to buy just Japan's big four brokers, they make up about 46 per cent.

Full liberalisation of commisunder Y40,000. In the US, the fee slons was inevitable, Mr Suzuki for an equivalent number of Ameri- said. But it should come in step can Depositary Receipts of the with deregulation in other sectors

nies, including Merrill Lynch and trades. Fees for a transaction same company could be as little as of the finance industry, so that bro-Paribas Capital Markets. It is involving Y2m worth of OTC \$25, according to US securities kers could develop alternative sources of income.

"Other sectors of the finance industry want to see commissions become fully negotiable. Only securities companies themselves didn't want it. But now, they realise they can't stop this trend, so they're looking for other areas to be opened up," be said.

One financial analyst said: "It'a the middle sector that will feel the pressure, the guys with cost structures often associated with much larger companies, who lack the loyal client base that small firms

from 84.7 per cent to 81.4 per

The bank saw provisions rise 83 per cent last year, to

HK\$257.38m. These were sus-

tained chiefly in the first

half, when a number of trade

financing transactions soured. Mr Li said the bank

still boped to recover some

Total customer deposits

grew 5.65 per cent in the first three quarters of last

year, while the loan book

incressed 2.18 per cent over

Earnings per share advanced rose 12.4 per cent,

The directors are recom-

mending a final dividend of

HK\$0.545, giving a total year

payout of HK\$0.80, compared

A five-for-one bonus share

from HK\$1.53 to HK\$1.72.

of the money.

the same period.

ASIA-PACIFIC NEWS DIGEST

## Malaysia licence awarded to NAB

National Australia Bank yesterday became the first Australian banking group to secure a banking licence in Malaysia. The bank, Australia's largest, said the licence was granted for Labuan, an island which Malaysia is promoting as an international offshore financial centre. The bank plans to establish a marketing office in Kuala Lumpur to support the new branch's activities. NAB already has a representative office in the city.

A Labuan licence does not entitle banks to conduct business on mainland Malaysia but, because of the island's tax haven status, it is being used increasingly by foreign banks as a place through which many financial activities are booked. Some foreign banks also hope their presence in Labuan could lead to approval for operations in mainland Malaysia, where the central bank has frozen the issuance of new licences.

The award of the licence comes as NAB attempts to step up its presence in the Asia. The bank has already diversified into the UK, Ireland and New Zealand. It also recently acquired the Michigan National bank in the US. However, its presence in Asia is relatively modest, although it won banking licence approvals in Thailand and Taiwan in December. NAB currently has five Asian branches - in Taipei, Tokyo, Seoul, Singapore, and Hong Kong. Nikki Tait, Sydney, and James Kynge, Singapore

#### Spin-off plans lift Great Eagle

Shares in Great Eagle Holdings rose 4.5 per cent-yesterday after the Hong Kong property and hotal company unveiled plans to raise HK\$2.5bn (US\$323m) by spinning off its commercial and office property arm. The move, three years after similar plans were abandoned, coincides with an upturn in property prices. Many analysts are forecasting further rises, fuelled in part by mainland banks and companies seeking to establish a presence in the territory.

Following the spin-off, Great Eagle will focus ort residential and industrial properties, along with hitels, serviced apartments and restaurants. The new vehicle, Tai Shan Group, will concentrate on the ownership and development of mostly prime office and commercial properties. Tai Shan's portfolio will include landmark office properties such as Citibank Plaza, one of the company's main source of revenues, which houses banking groups and the Hong Kong Monetary Authority, the territory's de facto central bank.

Great Eagle will hold about 73 per cent of the newly-floated Tai Shan shares, which are due to be priced later this month. Peregrine Capital, part of the pan-Arian investment bank which was involved in the earlier abortive spin-off, has been appointed global co-ordinatir and sponsor to the issue.

Investors welcomed the plans, pushing Great Eagle's share price up from HK\$31.40 to HK\$32.80. The group stid advantages of the spin-off included the creation of a focused office and commercial property company which could raise cash for its own business

By raising cash, it also provides funding for a arge-scale development in Mongkok, an area on the Kowloon peninsula which is one of the most densely populated parts of the world. The Mongkok project, which comes under Tai Shan, comprises office, commercial and community facilities, and a bus terminal. It is due to be completed in 2001. Louise Lucas, Hong Kong

#### News Corp advance expected

After flat first quarter earnings, News Corp, the media group headed by Mr Rupert Murdoch, is expected to show significant profits improvement when it reports results for the first half-year, to end-December, on Thursday. Profits, before abnormals, were virtually unchanged in the first quarter, at A\$286m (US\$218m). But analysts

expect around A\$750m-A\$770m in the first half, compared with A\$663m a year ago, Improved results from the US television and film interests are likely to be the main factors, although the strengthening Australian dollar will not be helpful.

At last October's annual meeting, Mr Murdoch predicted a 20 per cent profits increase for his media and enterfalbment group in 1996-97 överall, but warned that the first quarter might be weak.

#### China Eastern IPO priced

Shares in China Eastern Airline, the Shanghai-based carrier, were yesterday priced at HK\$1.38 for the Hong Kong stock (H-shares) offer and US\$18 for the American Depositary Shares, each of which represents 100 H-shares.

The pricing is at the top end of the proposed subscription range. China Eastern's offer price puts it on prospective price/earnings multiple of 10.6 times on a fully diluted basis. Analysts and bankers had expected China Eastern – which will become Hong Kong's 24th listed Chinese company, or H-share – to surge ahead of its recent predecessors because of increasing confidence on the Chinese economy.

The Hong Kong segment of the offering was 22 times subscribed, the sponsors said yesterday, while the bigger US and international issues received a "positive

The combined offering involves 1.4bn H-shares, and the airline - China's most profitable - will raise HK\$1.9bn. Morgan Stanley Asia is global co-ordinator, while ABN Amro Rothschild is co-sponsoring the Hong Kong IPO.

# Bank of East Asia upbeat after 14.5% rise

HK\$1.72

BANK OF EAST ASIA

Current share orice HK\$33.90

continue to perform well in

By Louise Lucas in Hong Kong

The Bank of East Asia, Hong Kong's third-biggest listed bank, yesterday reported a 14.5 per cent rise in 1996 net earnings, from HK\$1.64bn in to HK\$1.88bn (US\$243m).

The results, which were at the upper end of market expectations, partly reflect the improved operating environment for banks in Hong

Buoyant property and stock markets stimulated demand for mortgages, while a rebound in the domestic economy stimulated activity in the retail and construc-

One of the main engines for growth was an increased net interest margin, which rose from 2.45 per cent in the first nine months of 1995 to year. 2.6 per cent in the same period last year, suggesting improvement in the Hong 1997," he said.

A CHARLES OF THE PROPERTY OF T



"Anticipated

last year was a good one for Kong economy should stimu-Hong Kong's banking sector late stronger credit demand, Mr David Li, chairman of and construction financing. Bank of East Asia, is also Funding costs will be kept at optimistic for the current a comfortable level ... so the banking sector is likely to

PROFILE

Bank of East Asia is pursuing non-mortgage consumer finance opportunities such as credit cards, which is active in China.

carry a higher margin, and Mr Tony Larkin, banking analyst for Jardine Fleming Securities, calculates that

China accounted for between 9 per cent and 10 per cent of total loans at the end of last China contributed 12 per

relative to the Hang Song Index.

cent of the bank's profits last year, in line with the previous year. The contribution from proposed.

with the previous year's adjusted HK\$0.687. issue has also been

Yaohan to cut assets as part of restructuring

By Gwen Robinson

Yaohan, the Japanese retailing empire, is to slash its gross assets by a third over the oext two years, it announced yesterday. The restructuring is

intended to focus the company on its original mainstay supermarket business. The Shanghai retailer had nearly Y180bn (\$1.48bn) in

gross assets in March 1996, and estimated net assets of Y50bn, on an unconsolidated The moves are part of a broader restructuring of the 35 franchised outlets. Shanghai-based Yaohan International Holdings. The

shake-up was launched last December to provide working capital, reduce debts and fund the expansion of the mainland by the end of 2005. group's China operations. Yaohan intends to reduce

unconsolidated basis. securities and non-performing assets, including prop-

Japan, and some overseas The company will halve its 400 staff at its Tokyo headquarters and shift more 50 per cent of their value. emphasis back to the low-tomedium range supermarket

items and sundry goods. On a consolidated basis, the company plans to reduce its group gross assets from Y249bn to Y170bo, and interest-bearing debts from Y184bn to Y90bn.

However, some proceeds from the sell-off will be used to redeem outstanding bonds and raise operating capital through creditor banks.

Yaohan bas more than 450 outlets in 15 countries including the US, Singapore, and Hong Kong. In Japan, Yaohan directly operates about 53 stores and has some

China and surrounding regions have been the focus of the group's international strategy. It plans to establish 1,060 stores on the Chinese At the same time, the

group bas decided to expand its interest-hearing debts in the domestic market. It from Y101.7bn to Y60bn in plans to open 100 new superthe next two years, on an markets in Japan by 2000. Speculation of impending The group's Japanese unit financial crisis at Yaohan will liquidate holdings of Japan drove down the company's share price last November. The shares con-

erty, as well as more than 10 tinued to plunge after Yao-of its 58 stores and offices lo han announced a sweeping restructuring the following month, and in the month to December 20, wheo they closed at Y365, bad they lost

The shares closed at Y411 yesterday, down 19 per cent sector, dealing with food on the previous trading day.

# Republic of Croatia

Notice is hereby given that the Rate of interest has been fixed at 6.5% and that the interest payable on the relevant Interest Payment Date July 31, 1997 against Coupon No. 2 will be US\$31.50 in respect of US\$1,000 naminal of the Notes.

Fabruary 4, 1997 Landon
By: Cribank, N.A. (Corporate Agency and Trast), Agent Bank. CITIBANCO

CAISSE FRANCAISE DE DEVELOPPEMENT US\$100,000,000 FLOATING RATE NOTES DUE 2003 Notice is hereby given that the Rate of Interest for the period February 4, 1997 to August 4, 1997 has been fixed at 5.4375% and that the interest populate on the relevant Interest Payment Data August 4, 1997, oppoint Coupon No. 9 in respect of US\$5,000 nominal of the Notes will be US\$136.69 and in respect of US\$100,000 nominal of the Notes will be used made to the Notes will be February 4, 1997, Landon Br. Cribania, N.A. Korporate Agency and Tradit, Agene Book CITIBANCO

Republic of Croatia

Florting Rate Amortising Bonds (the "Bonds") Series A Due 31 July 2010

Notice is hereby given that the Rate of Interest has been fixed at 6.5% and that the interest payable on the relevant Interest Payment Date July 31, 1997 against Coupon No. 2 will be US\$32.68 in respect of US\$1,000 nominal of the Notes.

February 4, 1997 Landon by: Orbank, N.A. (Corparate Agency and Trust), Agens Bank CITIBANCO

ALLIANCE LEICESTER £250,000,000

Floating Rate Notes done 1999 For the lowers Period 30th January, 1997 to 30th April, 1997, the Notes will carry a Rate of Interest of 6,3625 per cent per tensum with interest amounts of £756.39 per £10,000 principal and £1,368.64 per £100,000 principal payable on 30th April, 1997. APPOINTMENTS **ADVERTISING** 

appears in the UK edition ery Wednesday & Thursday and it the International edition every Friday. For further information please

**Toby Finden-Crofts** +44 0171 873 3456

Landes-Kreditbenk Baclen-Württernberg Landes----Kreditbank Landeskredithank Baden-Württemberg US\$200,000,000

Subordinated Boating rate notes due 2003 Notice is bereby given that the notes will bear interest at 5.4375% per annum from 4 February 1997 to 4 August 1997. Interest payable on 4 August 1997 will amount to 1532 34 per 1551 10 mate and US\$273.39 per US\$10,000 note and US\$2,733.85 per Agent: Morgan Guaranty

**JPMorgan** 

Mortgage Securities (No.3) PLC \$39,000,000 Class A2 \$15,000,000 Class A3 \$8,000,000 Class B Mortgage backed notes due

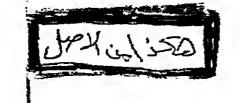
For the interest period 31 lanuary 1997 to 30 April 1997 the notes will bear interest as Class A2. 7.3125% per annum

Class A3. 6.9625% per annum Class 8. 7.3125% per annun

Anglo American Platimum Corporation Limited Rustenburg Platinum Holdings Limited Potgietersrust Platinums Limited Lebowa Platimum Mines Limited (All companies incorporated in the Republic of South Africa) Extracts from the Interim Reports for the six months ended 31 December 1996 Auglo American Platimum Beg No. 59/02518/06 Six months Year ended ended 31/12/95 30/06/96 ended 31/12/96 (Audited) (Rm) (Rm) 397.7 Net income before taxation 125.7 153.7 Net income after taxation 125.8 319.5 95.1 Capitalisation share awards and dividends 93.9 207.8 125.8 319.5 Earnings Earnings per share (cents) 75.4 Dividends per share - interim 40.0 55.0 65.0 – final Capital expenditure for the period 14.7 Rustenburg Platinum Beg No. 05/22452/06 Six months Year ended Six months ended ended 31/12/95 30/06/96 31/12/96 (Rm) (Audited) (Rm) (Rm) Gross sales revenue 1,885.0 1,872.5 3,886.2 Profit before taxation 130.1 531.3 198.7 Net profit attributable to ordinary shareholders 106\_3 158.7 400.I Capitalisation share awards and dividends 65.7 95.7 289.2 Earnings per share (cents) 125.7314.4 Dividends per sbare - interim 50.0 **75**.0 75.0 final 150.0168.4 352.7 Capital expenditure for the period Potgictersrust Platinums neg No. 01/08858/06 Six months Six months Year ended ended ended 31/12/96 31/12/95 (Rm) (Rm) (Rm) (Audited) Gross sales revenue 300.5 237.6 536.7 Profit before taxation 153.3 68.2 Profit after taxation 64.9 144.0 104.0 Capitalisation share awards and dividends 41.0 Earnings per share (cents) 52.7 116.2 Dividends per share - interim **28.**0 33.0 33.0 – final 50.0 Capital expenditure for the period 21.1 46.2 Lebowa Platimum Reg No. 63/06174/06 Six months Six months Year ended ended 31/12/95 31/12/96 (Rm) (Audited) (Rm) 100.2 202.8 Gross sales revenue 116.4 (Loss)/Profit before taxation 2.8 6.6 (Loss)/Profit after taxation (1.0)2.8 6.6 (Loss)/Earnings per share (cents) 2.3

Capital expenditure for the period 6.0 Capitalisation shares will be awarded to ordinary shareholders of Anglo American Plaunum Corporation Limited, Rustenburg Platinum Holdings Limited and Potgletersrust Platinums Limited registered at the close of husiness on 28 February 1997. Shareholders may elect instead to receive interim cash dividends of 40 cents, 50 cents and 28 cents per ordinary share respectively. The terms of the capitalisation awards will be published on 24 February 1997 and the circulars to shareholders will be issued on 7 March 1997. Share certificates in respect of the new ordinary shares and cheques in respect of the interim cash dividends and fractional entitlements will be posted to shareholders on The full text of the Interim Reports will be posted to shareholders and expies may be obtained from

the London Secretaries, JCl (London) Limited, 6 St James's Place, London SWIA INP or on websile http://www.amplats.co.za.



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Interest payable 30 April 1997 A2 \$1,223.69 per \$68,629 note A3 51,697.71 per \$100,000 note B. \$1,783.05 per \$100,000 note

Agent: Morgan Guaranty Trust Company **JPMorgan** 

LEX COMMENT

**Dixons** 

April Thereafter, however, growth is set to slow. Part of

that is due to more demanding comparatives, but there is

also concern that rising interest rates and political

change will hit consumer spending. Building society

windfalls should help alleviate that. But anecdotal evi-

dence from Cheltenham & Gloucester's experience shows

only 25 per cent of recipients spend their money, mainly

Meanwhile, demand for personal computers is decelera-

ting. Some of the slack could be taken up hy set-top boxes

for digital television, but they will not impact until 1999. The rise in insurance premium tax, however, will shave £10m-£15m a year off profits from April. Some brokers.

therefore, see both sales and profits growing at less than 5

per cent in 1998-99. Having more than doubled since 1995,

Dixons shares are still trading at a 10 per cent premium to

the market average. Having provided investors with a

good excuse to take profits. Sir Stanley can hardly com-

Share price relation

to the FTSE All-Share Index

Sir Stanley Kalms, chair-

reminded that actions

speak louder than words.

His sale of a third of his

shares in the electrical

criticising a broker's sell

advice, must have left

investors feeling rather

peeved. Yesterday they

took their revenge, knock-

ing 7 per cent off the

shares. That may look an

over-reaction. Dixons is

still the well-run company

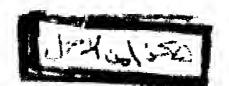
lt was last week - and should show profits rising

40 per cent in the year to

on holidays.

retailer, only days after 220

man of Dixons, should be Dixons



# CFIC NEWS DIGEST Maysia liceno Arded to NAI

TUESDAY FEBRUARY

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**建设** (1984年) 2017年 - 1987年 and the transport that the second Ten Agent to a little Lloyd-Jacob said Butte had ·5. · 38.45 pay his costs. Market State of the State of th Belle ...

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Fastern IPO price cost orders against Butte, is in the hest interests of shareholders." 113.51 at 12.24 advice given by Ernst & a de terre auton Young during the 1987 flota-SHOP THE STATE OF 16.350 process to the nie 🍱 Me as 1527341

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Republic of Croatia

Firm becomes first of the 'Big Six' accountants to publish externally audited accounts

# KPMG's fee income rises 6% to £624m

Both KPMG and Grant

By Jim Kelly, Accountancy Correspondent

KPMG yesterday became the first 'Big Six' accountancy firm to publish externally audited accounts - exposing the once private world of the partnership to further outside scrutiny.

and political opinion is moving towards full disclosure by professional firms and we are right to provide this information," said Mr Colin

Sharman, senior partner. The firm, which became the first to publish results last year, announced fee income up 6 per cent to £624m (\$1.01bn) and average profits per partnar - the total paid to each of the firm's 561 partners - up 12 per cent to £206,000. Grant Thornton, a compet-

Thornton said they would now press for a new state-"We believe that public ment of practice, backed hy the Accounting Standards Board, to cover non-corporate accounts and introduce standard rules for firms publicly reporting.

Grant Thornton said that

reporting on tax, pensions, and pay all presented problems for partnerships using the company format. They put a note on the problems in the accounts. Partnerships are private businesses and do not need to publish financial results.

Last year Ernst & Young fol-

itor and leading mid-tier lowed KPMG in publishing firm which believes it has full results - internally won a foothold in an expandaudited. Some mid-tier firms ing market, was paid a fee of also disclosed information £222,000 to audit the firm but to a lesser extent. and gave KPMG an unqualif-Some firms are likely to ied clean bill of health.

resist external auditors because of the conflicts of interest involved. They also think partners - the firm's shareholders - have enough direct access to data. But the number puhlish-

sharply in the next few years as the government is offer ing to protect the personal assets of partners under a new law most likely in return for audited accounts. Mr Sharman, whose own remuneration rose 4.1 per cent to £770.537, said exter-

open with staff and clients.

KPMG was also partly



COMPANIES AND FINANCE: UK

Colin Sharman: public and political opinion is moving towards full disclosure

audit business to help pronal audit was part of the tect partners' assets. The firm's commitment to he firm is pressing for its competitors to disclose as well.

although he declined to give been "robust" and "challeng- walls to protect its new cli-Mr Sharman admitted that ing" and provided a fresh

improve his husiness ner on the audit team, said Grant Thornton had to condetails. He said they had struct a system of Chinese

Mr David Spence, a part-

#### required to publish accounts the auditors had come up insight into the firm. as It has incorporated its with several ideas on how to

#### **Butte** settles dispute with E&Y

By Kenneth Gooding, Mining Correspondent

Butte Mining's unsuccessful attempts to pursue in the courts former managers. advisers and promoters came to an end yesterday.

The campaign started five years ago with actions in the US and claims totalling

Butte, a London-listed company, settled its litigation with Ernst & Young. the international business and financial adviser.

The settlement involves both Bntte and Ernst & Young dropping claims and counterclaims. Ernst & Young will forgo more than £300,000 of fees for past work and each side will waive cost awards.

Butte will pay £50,000 to Ernst & Young within 90 days while Mr David Lloyd-Jacob, Butte chairman, will pay a further £10,000. Mr previously undertaken to

He said: "The UK courts have not been sympathetic to Butte's efforts to obtain a bearing for the case on its merits and Butte's directors bave concluded that a settlement wherehy Ernst & for fees plus interest, and

The lawsuit arose from tion in 1988. Mr Nick Land, senior partner at E&Y, said: "We have always maintained the claims were withont foundation."

#### Tomkins plans bolt-ons for Gates By Tim Burt

Tomkins, the acquisitive conglomerate, is considering spending between £200m and £300m (\$486m) on bolt-on acquisitions to increase Its presence in continental Europe and the emerging markets of Latin America and Asia.

Mr Greg Hutchings, executive chairman, said yesterday that such deals were likely to be focused on Gates Corporation, the US automo-

By Michael Skapinker

Aerospace Correspondent

An increase in passenger

numbers helped BAA, the

airports group, to a 6.2 per

cent rise for the first three

bought for £744m last year. "There will be add-on acquisitions at Gates, which has a strong exposure to emerging markets such as Brazil and Korea," he added. to shareholders now, when

prospect of further acquisi-

lation of a share huy-back. Tomkins ended the first half with net cash of £370m. He claimed that such a

tive components group takeovers, effectively preventing it from seeking the £1bn-£2bn deal that It would like to make within the next "If we handed £250m back

Mr Hutchings used the we came to do the hig deal we could end up with geartions to dispel market specu- ing of 200 per cent and risk serious earnings dilution by issuing large amounts of paper," said Mr Hutchings.

Edinhurgh, Aberdeen and between peak and off-peak don airports, is taking place

The smoothing programme

profits from the first half of

the year to the second. BAA

said the £8m reduction in

has the effect of transferring gramme, which followed

passenger charges.

BAA lifted as passenger levels rise

in Belgium. Although some analysts helieve a share repurchase would enhance earnings per sbare, Mr Hutchings deemed it a move reserved for "companies with no future".

pean manufacturing plants,

There is no question that in the short term it would be beneficial to investors to have a buy-back. But that could prevent us using the He was speaking ahead of cash productively. We are move would stifle Tomkins' an analysts' visit tomorrow against it while there are ability to consider large to one of Gates' largest Euro- acquisitions around the cor-

over four years. BAA is in

The group's reveoue from

airport and traffic charges

gained 5.5 per cent to £385m.

Net revenue from retailing

rose 10.9 per cent to £331m.

senger rose 6.2 per cent and

Net retail income per pas-

the second year of the pro-

consultation with airlines.

Among the hrokers to advocate a huy-back. Salomon Brothers calculates that Tomkins could spend more than £320m on a repurchase and still have about £280m to spend on acquisitions.

ner." he said.

One institutional investor said the group could also contemplate a special dividend, adding: "There is some enthusiasm in the market to return some value to share holders, and we would go

property revenues swelled

Operating profit added 9

per cent to £425m, and earn-

ings per share were 28.9p, an

The Civil Aviation Author

ity told BAA last year to cut

landing and take-off charges

at Heathrow and Gatwick

airports in real terms over

the next five years.

2-3

8.4 per cent to £168m.

increase of 5.5 per cent.

**Dixons share** price falls 7%

plain if they seize it.

By Peggy Holfinger

The controversial sale of 1.1m Dixons shares by chairman Sir Stanley Kalms contributed to a 7 per cent fall in the company's shares yes-

The shares closed 38p lower at 479p, representing the largest percentage fall by any company in the FTSE 100 index of companies, The decline was in part becaquse of Sir Stanley's disposal of shares, announced after the market had closed on Friday. However, it was also fuelled by a downgrade from Merrill Lynch, the broker,

which is now advising cli-

ents to sell their shares on

the basis that sales growth is expected to slow in the medium term.

Sir Stanley's disposal caused angry comment when the market opened yesterday. It is understood that a large shareholder had already complained to the company's adviser. Cazenove about Sir Stanley's conduct in criticising Mr Tony Cooper, an analyst with Greig Middleton. Mr Cooper last month advised clients to sell shares.

Other shareholders were more sanguine. If executives were to be remunerated with shares, "they should be able to capitalise on them." said one large investor.

#### quarters of its current year. the nine-month period ber 31 were £397m (\$643m). The ontcome would have The number of passengers should be recovered in the using its seven airports been £8m higher, but were fourth quarter. London's Heathrow, Gatwick The smoothing of charges. depressed by the programme and Stansted, and Glasgow, of smoothing the differential which affects the three Lon-

Southampton - rose 4.4 per

cent. The airports handled

The group yesterday

announced that profits in

the nine months to Decem-

76.6m passengers.

ation of \$259m-\$280m.

Brothers, the US investment hank, would he acting as lead manager of the US and international offerings, with Donaldson, Lufkin & Jenrette and HSBC Investment Bank acting as co-managers.

Depository Receipt, a proxy profit of up to \$125m.

After the flotation, the 16 per cent of the company owned by Mr Michael Potter, chief executive of Esprit, and other managers will be worth \$45m. Esprit was only founded in 1991 and has not

yet moved into profit. Proceeds will be used partly to fund the expansion of Esprit's office network. Existing shareholders will only realise gains if demand allows an increase in the offering. The company was founded by Mr Walt Ander-son, a US telecoms entrepreneur, and aims to be the MCI of Europe, emulating the challenger to AT&T in the US long-distance market.

#### **Reward for Esprit backers** By Nicholas Denton for its shares. At that share price, the offering has a

Apax Partners, Hancock Venture Partners and EM Warburg Pincus, the venture capital firms backing Esprit Telecom, are set to multiply the value of their investment five-fold when it floats.

The telecommunications operator, which is run from the UK, announced at the weekend that it was mounting an initial public offering on Nasdaq, the US stock market for hi-tech companies, and Easdaq, its European equivalent.

It is selling 29 per cent at a price of \$13-\$15 per American

value of \$75m-\$81m and the company a market capitalis-It confirmed Lehman

Esprit's financial backers, which invested a total \$29m between 1993 and 1996, will keep a stake of 55 per cent worth up to \$154m - at the indicated offer price. The flotation will give them a paper

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		Tecno	ner (Cra)		p-tack R. (Ross)	84	5 (p)	Current payment (p)	Date of payment	Corresponding gividend	Total for year	Total last year
1	IAA 9 mits to Dec 31 lectes Business 6 mits to Oct 31 lecter Infotes 6 mits to June 30\$	1,064 63 12.9	(987 ) (49 ) (13.8 )	397 0.585 0.6	(374♥ ) (0.412 ) (0.515 )	28.9 0.16 0.07	(0.12 ) (0.06 )	0.035 0.03	Mar 7 Mar 14	0.03 0.03	:	11.25 0.09 0.65
	nvestment Trusts	MA	r (p)		outoble gs (Em)	. 84	(m)	Current payment (r)	Date of payment	Corresponding dividend	Total for year	Total fast year
-	inropeen Assets # Yr to Dec 31 Nem Claverticouse Yr to Dec 31 New Wynd Inti 6 mths to Dec 31 New Synalier 8 mths to Nov 30 *	12.54 301.5 481.3 248.2 216	(9.54 ) (261.9 ) (490.7 ¢) (222.8 ) (202.8 )	4.76♥ 4.25 0.174 3,73 0.066L	(4.58♥) (4.37) (0.14) (5.51) (0.033U	0.19 7.56† 3.46 2.09 0.13L	(0.16 ) (7.9 ) (2.78 ) (3.09 ) (0.07L )	0.11 2.2 3 1.5	May 2 英 Apr 7 Mar 14	0.08 2.15 2.75 1.5	0.19 6.55	0.16 6.1 6.85 3.95 mli
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Northern Foods plc Notice to the holders of the

£91,280,000 6% per cent. Convertible Subordinated Bonds 2008

of the Company

(the "Bondholders" and the "Bonds" respectively) (me Bondholders and the Donus respectively)

Notice is hereby given that The Law Debenture Trust Corporation o.f.c. (the Trustee ) and the Company have agreed to modify the Trust Deed dated 19th February 1993 constituting the Bonds on, and subject to, that serms of a First Supplemental Trust Deed dated 3rd February 1997 and the Company, the Trustee. The Chase Manhattan Bank and Chase Manhattan Bank Luxembourg, S.A. as Paying and Conversion Agents and The Chase Manhattan Bank as Paying and Conversion Agency Agreement dated 19th February 1993 on, and subject to, the terms of a Supplemental Agreement dated 3rd February 1997, in each case to allow Bonds in registered form to be held and transferred by means of the CREST system.

held and transferred by means of the CREST system.

The CREST system is the new computerised settlement system which is to replace the current paper-based system operated by The London is to replace the current paper-based system operated by The London Stock Exchange. Individual Bondholders will retain the right to choose whether to hold and transfer their holdings of registered Bonds in paper form or in dematerialised form by means of the CREST system. Those holders of Bonds in bearer form who wish to hold their Bonds in Cematerialised form will first have to request exchange of their Boarer Bonds to Bonds in registered form in accordance with Condition 5(a) of the Bonds.

It is expected that permission for the Bonds in registered form to be transferred through the CREST system will be granted before 10th March 1997, which is the first date on which such Bonds will be eligible

Copies of the Trust Deed, Paying and Conversion Agency Agreement, First Supplemental Trust Deed and Supplemental Agreement are available at the offices of The Law Debenture Trust Corporation p.Lc. at Princes House. 95 Gresham Street, London ECZV 7LY and at the specified offices of the Paying and Conversion Agents and Registrar set out on the reverse of the Bonds.

4th February 1997

#### **Gulf Canada** expected to increase bid

By Michael Lindemann

Oil analysts today expect Gulf Canada Resources, the Canadian oil group, to raise its 105p per share bid for Clyde Petroleum, the UK independent, to up to 125p per share. Gulf and its advisers were

meeting in London late yesterday to finalise a revised hid for Clyde following their first bid in December. The company yesterday

insisted that its 105p per share offer remained "full and fair" but analysts argued that an offer of between 115p and 125p would nnt seem unreasonable. A cash bid of 125p per share would value Clyde at £514m (\$832.7m).

Clyde's share price edged upwards 2p yesterday to close at 117%p.

Analysts also suggested that when Gulf made its final offer a competing bid could be forthcoming, possibly form North America.

# takes 4% of TLG

Wassall, the industrial lighting equipment group.

said it bad bnught 7.49m sbares at a cost of about £7m. At yesterday's close, £212m (\$343m).

and such a move would be unwelcome," said Mr Hamish Bryce, TLG chief execu-

a bid for TLG.

# Wassall

TLG was valued at about "I don't see the commerelal logic for a takeover approach [from Wassall]

Mr Fred Watt, Wassall's finance director, said it made such investments from time to time. Industry analysts were split on whether Wassall would contemplate

By 17m Burt

conglomerate, yesterday announced it had acquired 4.1 per cent of TLG in a move interpreted by some City analysts as a precursor to a possible bid for the Shares in TLG, formerly part of Thorn EMI, jumped 13%p to 118%p after Wassall

#### SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. the things that others have taken away.

We know you can't give them back

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information P.O. Box 2500

1211 Geneva 2, Switzerland

GOVERNMENT BONDS By Edward Luce in London and Lisa Bransten

Italian bonds dropped sharply yesterday on mounting worries about Italy's chances of joining the first round of European monetary union. US Treasury prices rose in the morning on weaker than expected economic data, belping push UK gilt prices up % during afternoon trading in London.

Negative comments by German economists and businessmen over the weekend on Italy's Emu prospects beloed shift market sentiment against BTPs. Ten-year Italian BTP March futures on Liffe fell 1.44 to close at 129.24. Italian spreads widened by seven basis points over German equivalent hunds to 164 points.

"Italy looks the most

thumbs up to Italy's early Emu aspirations at the Italian-German summit in Bonn on Friday," said Mr David Brown, chief economist at Bear Stearns in London. "We would not rule out the 10-year BTP bund spread finishing the week up at 175

Traders ssid Spanish bonos were only mildly affected by yesterday's move against Italian honds. reflecting the growing consensus that Spain and Portugal's economic fundamentals are healthier than italy's. Bonos closed unchanged at 114 in Madrid. But 10-year spreads over German bunds widened to 106 basis points.

basis points."

"From an economic point of view, Spain and Portugal could deserve to qualify while Italy probably won't," said Mr Ceris Williams, head of fixed income at Rothsexposed European bond mar- childs Asset Management in ket in the firing line this London. "Whether it would

week, especially if Germany be politically acceptable for encouraging because no-one trading. Ten-year Freoch fails to give a convincing this to happen is another is expecting the gilts market

matter. UK gilts seemed to benefit from Italy's drop and the tion," said Ms Joanne Colbuoyancy in US Treasuries. The appreciation of sterling at Nomura in London. "After any activity showed the against the D-Mark and the US dollar also increased optimism that Mr Kenneth strongly because they are Clarke, the chancellor, would not raise UK interest rates st his meeting on Wednesday with Mr Eddie George, the governor of the

Bank of England. Traders said technical factors, including heavy Jspanese buying overnight and an excess of demand over supply in early trading, also supported gilt prices. The release of a purchas-

ing managers' survey showing unspectacular manufacturing growth in the UK also bolstered sentiment. Long gilts rose % to close at 111% on Liffe. Spreads over bnnds narrowed

sharply to 173 basis points.

to perform dramatically this side of the UK general eleclins, senior market strategist the election, though, we predict gilts will rally quite

other European bonds." But Mr Brian Marber, a technical analyst in London, said gilts had entered their ninth month of bull run, as measured against past performances rather than other markets. He said the preceding four hull runs in gilts had lasted eight, eight, nine and 37 months respectively.

very cheap in comparison to

"Each bull market has its own characteristics," said Mr Marber. "The fact that we are already in the ninth month does not necessarily make me a bear but a 37-month run is very long by any other standards."

German bund futures rose "Gilts' performance is 0.13 to close at 101.84 in quiet around 53.5.

bond futures rose 0.16 to ered especially important close at 130.64 on Matif.

early trading as the first slowed in January from the important indicator of Janu- strong pace seen in the economy to be slowing.

Near midday, the bencha stronger at 96岩 to yield year note had risen 🕏 at The March 30-year bond contract rose E to 1112. Bonds fell early in the

morning after the Commerce Department reported personal income rose by 0.8 per cent in December, slightly stronger than expected.

But the market reversed course at mid-morning after the National Association of Purchasing Management activity fell to 52 in January, against 53.8 in December. Economists had expected a more modest slowdown to

because it gave the first indi-US Treasuries climbed in cation that the economy fourth quarter of last year.

A figure above 50 is considered a sign of expansioo mark 30-year Treasury was in the manufacturing sector. while anything below that 6.73 per cent while the two- number generally indicates retraction. Many economists 99%, yielding 6.875 per cent. therefore saw yesterday's data as s sign of moderate growth.

"The current reading implies modest expansioo in the industrial sector, not excessive growth," said Mr Bruce Steinberg, of Merrill Lynch.

The figure helped ease fears of an imminent rise in interest rates. The Federal Reserve's Open Market meetsaid its index of husiness ing is to begin a two-day meeting today. Few economists expect an interest rate increase this week, hut many believe the Fed will raise rates in March or May.

CAPITAL MARKETS DIGEST

### Russia to issue more eurobonds

Russia intends to issue two or three more eurobonds this year, broadening the pool of investors holding Russian assets and extending the maturity of its borrowings, the government said yesterday.

In an interview with the Interfax news agency, Mr Alexander Livshits, finance minister, said Russia would launch a D-Mark-denominated bond by the end of March. The issue would be around DM1bn and Deutsche Morgan Grenfell and Credit Suisse had been appointed to manage the issue. "We consider that Russia's new issue on the world financial market will be no less successful that our issue of eurobonds in November," he said.

Market sources suggest the Russian government could seek to raise \$4hn to \$5hn via eurobond issues this year, helping to pave the way for corporate and municipal bond issues. Russia returned to the international capital markets last year for the first time since the Bolshevik revolution of 1917 with a \$1hn eurobond issue, which was enthusiastically received by international investors. The issue was priced at 345 basts points above US Treasuries.

However, Mr Livshits said the proceeds of the new issue would be used to pay off the federal government's debts to federal employees and pensioners, raising some concerns among market analysts. It is not normal financial practice for governments to use long-term borrowings for current expenditures.

"If you borrow in a foreign currency, it would be strange to use the proceeds to finance backlogs of wages and pensions. But as we know, Russia likes breaking all the rules," one western economist said.

John Thornhill, Moscow

## Mexico, Brazil set to launch D-Mark deals

INTERNATIONAL BONDS

Announcements forthcoming eurohonds hy emerging market borrowers overshadowed yesterday's

quiet issuance. launch its DM1hn deal today, through Deutsche Morgan double-digit coupons. Grenfell and Dresdner Kleinwort Benson. The bonds will have a maturity of 12 years. Syndicate officials predicted they would offer a spread of pay 25 hasis points over 260 to 280 basis points over 10-year hund yields,

next two weeks, with a option is not exercised the

WORLD ROND PRICES

paper, Credit Suisse First Boston will be lead manager.

Meanwhile, the World Bank added a new trancbe to an existing bood in South African Rand, while VW Financial Services issued in Czech koruna, Both deals Mexico said it would were aimed at retail investors attracted by the high

The largest issue yesterday was \$250m of 10-year floating-rate ootes from ANZ Banking Group. The bonds interbank interest rates for the first five years, after Brazil is also expected to which they can be redeemed tap the D-Mark sector in the hy the horrower. If this

DM500m issue of 10-year coupon rises to 75 hasis points over Lihor for the remaining five years. Lead manager is SBC Warburg.

National Power is to refinance its A\$624m investment in Hazelwood Power, an Australian power generation company. The transaction will include A\$400m of 10-year bonds to be issued on the Australian domestic market, with BZW acting as lead manager.

A further A\$300m will be raised through a five-year syndicated loan arranged by Union Bank of Switzerland Also, a A\$500m commercial paper programme will be set up through Commonwealth Bank of Australia.

#### New international bond issues E US DOLLARS ANZ Banking Group(s): Bayarische Hypo(s) E YEN LB Rheinland-Pfetrible 5.20 Sumitomo Finance Inti 100.00 Feb 2000 0.50 I SWISS FRANCS .. 102.00 Mar 2001 1.75 102.00 May 2003 2.25 102.70 Jan 2002 2.00 2.75 3.50 3.25 Oesterreichische Kont Oppland Energiverich CSF8 CSF8 E PESETAS Nordeutsche Landeshentet 10bn 101.00 Mar 2004 1.20 BNA/BNP E SOUTH AFRICAN RAND 15.00 101.875 Feb 1999 1.25 100 World Bank(d) 1bn 10.75 100.15R Feb 1998 0.15R Final terms, non-callable unless stated. Yield spread (over relevant government bond) at lounch supplied by lead manager. \*Unlisted. ‡Posting-rate note. R: Fixed re-offer price; sees shown at re-offer level. a) Callable from Feb 02 at par. a) 3-mith Libor +25op to Feb 02, then +75op. b) Redeemed in USS. c) 5.92% to Mar 00, then 13.65% - 12-mith Libor, d) R400m was

investment in Hazelwood, the refinancing will cover future capital requirements,

increased to R500m. If Long 1st coupon, a) Short 1st coupon.

National Power said. Hazelwood was purchased in September last year for

consortium in which 8 basis points. National Power has a major-

points over Libor will be paid on the loan, in addition

Price Indices

Up to 5 years (20) 5-15 years (21)

6 Up to 5 years (2)

FTSE Actuaries Govt. Securities

Mon Feb 3

151,32

Day's change %

0.57

0.12

in addition to the initial A\$2.35bn hy an international to a commitment fee of

the refinancing.

121,31

150,47 171.13 195.03 145.07

205,38

However, National Power would not comment yester-A margin of 17.5 hasis day on the savings that it expects to achieve through

2,59 2,50

1.15 5 yrs 1.09 15 yrs 1.00 20 yrs 1.00 kred.† 1.12

7.08 7.57 7.66 7.78

3.10 3.53

Feb 3 Jun 31 Yr, ago

3.13 2.65 3.55 3.67

7.10 7.94 8.04 6,12

7.05 7.49 7.55

#### Slovenian GDR doubles

The price of the first international equity issue out of Slovenia more than doubled after the launch, as orders by investors totalled more than 25 times the amount on offer. The Global Depositary Receipts issued by SKB Banka. Slovenia's second-largest bank, in lieu of underlying domestic shares held in custody were priced at the top of the announced range of \$17%-\$19, after the range had been increased from \$16%-\$17%. The issue, which gave international investors a 16 per cent stake in the bank, raised \$24.7m. It was arranged by Nomura, with ING

The GDRs, which are expected to be listed on the London Stock Exchange, reached around \$40 late last week, before retreating yesterday to some \$33-\$35. The bank's book value is around \$21 a share, compared with a price equivalent to \$25 for the domestic shares.

Barings and Deutsche Morgan Grenfell acting as

Traders said the surge was mainly caused by a rush by investors who had not obtained the full amount hid for. The GDRs are now back in more realistic territory, although they could fall s little bit more," one trader said. But they will remain more expensive than the domesticshares, because international funds are willing to pay Samer Iskandar, London more than local investors."

-- Low coupon yield -- - Medium coupon yield -- - High coupon yield -- Feb 3 Jan 31 Yr. ago Feb 3 Jan 31 Yr. ago Feb 3 Jan 31 Yr. ago

7.13 7.14 7.57 7.98 7.63 5.05

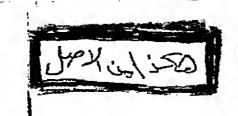
Feb 3 Jan 31 Yr. ego

2.42 2.44 1.41 3.33 3.35 3.48

BENCHMA	RK GOV		MENT E						FUTURE	S OPTIONS		DM250,000	points of		
	Coupo	Red Date	Price	Day's change	Yield	Neek ago	Month	Strike	Mer		LLS	Jun M	ar Ap	PUTS -	Jur
Australia	6.750	11/06	96,3249	+0.540	7.28	7.43	7.38	10150	0.74	•	0.84	.02 0,4			1.57
Austria	5.625	01/07	99,1200	+0.090		5.84	5.87	10200	0.45	0.41	0.62	1.81 0.1			1.86
Belgium	7.000	05/06	109.2300	+0,140		5.75	5,93	10250	0.25	0.27	0.47	1.63 0.5	1,82	200	2.16
Canada "	7.000	12/06	103,7600	+0.810	6.47	273	244	Est wal, to	of, Calls 13	7786 Puts 14	102. Previ	ous day's or	on Ire. Cal	183093 F	uta 19197
Denmark	8.000	03/06	110.3800	+0.140		6.33	6.66								
France BT/		10/01	104,1698	+0.500		4.53	4.68	Italy							
0		10/06	106,7900	+0.030		5.65	5,80	# NOTIO	NAL ITAL	JAN GOV	C ROND	STP PI	TI BROFS		
Germany Bund	6.000 8.000	01/07	102,1700	+0.170		5.86 6,69	5.83 6.73			m 100ths		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			
refand taly	6.500	02/06	113.5000			7.13	7.48					1			
Japan No 1		09/01	121,4700	-0.110		1.30	1.36		Open	Sett price	Change	_	COW	Est voi	
No 1		09/05	104,4343	+0.030		2.35	2.35	Mar	130.50	129,24	-1.34	130,50	129,15	88779	10839
Vetherlands	5.750	01/07	100,7400	-0.100		5.60	5.77	Jun	129.50	129,72	-1,30	129.50	128,67	724	9894
Portugal	9,500	02/08	116,4000	-0.450		5.67	6.90	E ITALIAN	GOVT, BO	NO BYP FI	MURES O	PTIONS (LIF	FE Line CO	100ths of	100%
Spain	8.800	04/06	113,4100	-0.970		8,70	7.00								
Sweden	8.000	08/07	107.7459	-0.320		8.85	5.80	Strike			us			PUTS -	
JK Gata	5.000	12/00	103-32	+7/32		7.02	7.23	Price		Mar	Ju		Mar		Jun
	7,500	12/08	101-09	+39/32		7.49	7.59	12900		1.11	2.20		0.87		2.48
	9.000	10/08	112-12	+26/32		7,58	7.67	12950		1.85	1.90		1,11		2.74
US Treasury '	6.500	10/06	100-13	+18/32		5.65	6.34	13000	(	1.62	1.7	5	1.38		3.03
	6.500	11/26	96-31	+28/32		5.92	6.50	Est vol to	at, Calls 51	08 Puts 889	O. Previous	day's oper	I Ird., Cores	148604 Put	142535
ECU (French Govit)	7.000	04/06	107.2000	-0.030		5.98	6,14								
onder closing, "Ne			100		de: Local r		standard.	Spain							
l'Orași (including : Prioas: US, UK in 35			bar cour bulle		Source: M		-	E NOTTO	NAL SPA	NISH BON	D FUTUR	ES (MEFF)	1		
1400 04 04 11 0	Debrit Co.m. 3 To	0000			DOMEST (M									5	
IC INTEDE	CT DAT	ree							Open	Satt price	_	High	LOW	Est vol.	
US INTERE	SI NA							Mer	114.01	114.00	-0.89	114.05	113.10	126,403	
atest			Treasury	Blos and B	and Yield:			Jun	-	113.92	-	_	~	30	325
	0	ne morth			30#		_ 5.89	UK							
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Broker loan rate		ees month.		5.14 Five	year		6.21	- 110110					0 02 103 0	10075	
Fed hands at intersect				5.26 10-y	CII		8.46		Open	Sett price	Change	High	Low	Est. vol	Obeu n
		os Aggu		5.55 30-7	CII CII		6.21 6.46 6.75	Mar	Open 111-01	Sett price	Change +0-24	High 111-25	111-01	73884	Open in
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				5.55 30-y	en en		6.46 6.75	Jun	111-01 111-00	111-23	+0-24 +0-25	111-25 111-00	111-01 110-30	73884 364	170470
				5.56 30-y	er er		6.46 6.75	LONG	111-01 111-00	111-23 111-07 URES OPT	+0-24 +0-25 TONS (LI	111-25 111-00	111-01 110-30	73884 364 100%	170470
Fed.funda at intervent	ios - C	oe year		5.56 30-j	6.7 6.7		6.46 6.75	LONG Strike	111-01 111-00 GILT FUT	111-23 111-07 URES OPT	+0-24 +0-25 TONS (LI	111-25 111-00 FFE) £50,0	111-01 110-30 00 64tts o	73884 364 100%	170470 552
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BOND FUT France	URES A	IND C	PTION	5.56 30-j			8.46 8.75	Strike Price 111 112 113 Est vol to:	111-01 111-00 GILT PUT Mar 1-13 0-41 0-20 at, Celts 34	111-23 111-07 URES OP1 Apr 1-24 1 0-58 1 0-36 1 30 Pas 213	+0-24 +0-25 TIONS (LI LLS ———————————————————————————————————	111-25 111-00 FFE) £50,0 Aun M -07 0-3 -41 0-5 -13 1-3 1 day's open	111-01 110-30 00 64ths o 31 1-10 8 1-44 8 2-22	73884 364 1100% PUTS May 1-40 2-10 2-50	Jun 1-57 2-27 2-83
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France  Notional, France Notional, France Nar 130.9 Jun 129.2 Sep 127.6 LONG TERM Strike	TURES A RENCH BON  TO Sett pric  Set 120,64  FRENCH BO  TO Sett pric  TO	D FUTU Chang +0.16 +0.16 000 OPP	RES (MATI)  High 1 30.74 1 127.58 1 127.58 1 127.58	S	000 Est. v 60,428 239	4 1	pen int. 27.777 14.733 776	Surface Price 111 112 113 Est vol too Eets ECU B	111-01 111-02 GILT FUT Mar 1-13 0-41 0-20 0-21, Celts 34 OND FUT Open 96.32	111-23 111-07 URES OPT CAI Apr 1-24 1 0-56 1 30 Pas 213 URES (MAI Set) proce 98.90	+0-24 +0-25 TIONS (LILS ———————————————————————————————————	111-25 111-00 FFE) 250,00 Aun M -07 0-3 -41 0-5 -13 1-3 day's open 00,000 Hagh 96,52	111-01 110-30 000 64ths o 200 64ths o 31 1-10 81 1-44 82 2-22 81 Colle 4 Univ 98.82	73884 364 7100% PUTS — May 1-40 2-10 2-50 6006 Pus Est. vol. 247	170470 552 Jun 1-57 2-27 2-83 31379 Open int 6,098
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France  France  NOTIONAL FI  Ope Mar 130.9 Sap 127.9  LONG TERM  Strike Price 127 128	TURES A RENCH BON  1 Sett pric 128, 32, 64 127, 64 FRENCH BO  Mar  C/  Mar  C/  2.68	PER PORTO	PPTION: RES (MATI) P High 1 190,74 5 129,38 1 127,58 1 127,58 1 127,58	S	000 Est. v 60,43 928 239	4 13	pen int. 27,777 14,733 776 Jun 0.61	Striket Price 111 112 113 Est vol to: Ects ECU B Mar	111-01 111-02 GRLT FUT Maz 1-13 0-41 0-20 2, Calls M ONED FUT Open 96.32	111-23 111-07 URES OPT CAL Apr 1-24 1 0-96 1 0-96 1 0-96 1 0-96 1 130 Pars 213 URES (MA Set) price 98,90	+0-24 +0-25 TIONS (LI) LLS	111-25 111-00 FFE ESO,0 Aun M -07 0-3 -41 0-5 -13 1-3 day's open 00,000 High 96,52 BT7 \$100,00 High 111-20	111-01 110-30 00 64ths o 2 April 1-10 8 1-44 8 2-22 et., Cata 4 Low 96.82	73884 364 100% PUTS — May 1-40 2-10 2-50 66006 Pus Est. vol. 247	170470 552 Jun 1-57 2-27 2-83 31379 Open in 6,098
France  E NOTIONAL FI  Mar 130.9 Jun 129.2 Sap 127.5 B LONG TERM Strike Price 127	TURES A  RENCH BON  1 Sett pric 128.32 127.64 FRENCH B  Mar  3.64 2.68 1.76 1	D FUTU e Cheng +0.16 +0.16 0.00 OPP	RES (MATINE) High 100.74 127.58 127.58 100NS (MATINE) Jun 2.81	SS Low Low 127.58 129.54 127.58 177.58 10.01 0.05	000 Est. v 60,43 239 PUTS Apr	4 1:	pen int. 27.777 14.733 776 Jun 0.61	Striket Price 111 112 113 Est vol to: Ects ECU B Mar  Mar  Mar  Jun	111-01 111-02 GILT FUT 1-13 0-41 0-21 0-21 Open 96.32 Open 111-13	111-23 111-07 URES OPT 1-24 1 0-56 1 0-56 1 30 Pag 213 URES MAA Set proce 98.90 SOND FUT Latest 111-03 110-05	+0-24 +0-25 TIONS (LILS — May -54 2 -24 1 -00 1 Z. Previous TIF) ECUI	111-25 111-00 FFE E50.00 Aun M -07 0-5 -41 0-5 -13 1-3 day's open 00.000 High 96.52	111-01 110-30 000 64ths o 000 64ths o 1-10 81 1-10 82 1-44 83 2-22 81, Cast o 1-10 96,82 000 32nds o 100 111-09 110-25	73884 364 1100% PUTS	170470 552 Jun 1-57 2-27 2-83 31379 Open in 6,098
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France E NOTIONAL FI  Mar 130. Sep 127. E LONG TERM Strike Price 127 128 129 130 131	TURES & SET PICE   SET	D FUTU e Chang +0.16 +0.16 000 OPP 1LLS	PTION: RES (MATH PE High 1 130,74 1 127,58 1 127,58 1 127,58 1 100,000 1	F) FFr500.1 Low 129.54 1 129.54 1 127.56 (IF) 0.01 0.05 0.13 0.33 0.33	000 Est. v 60,43 239 239 PUTS Apr 0.44 0.77 1.26	4 1:	pen int. 27.777 14.733 778 Jun 0.651 0.68 1.28 1.28	Striket Price 111 112 113 Est vol to: Eets ECU B	111-01 111-02 GILT FUT 1-13 0-41 0-21 0-21 Open 96.32 Open 111-13	111-23 111-07 URES OPT 1-24 1 0-56 1 0-56 1 30 Pag 213 URES MAA Set proce 98.90 SOND FUT Latest 111-03 110-05	+0-24 +0-25 TONS (LILS	111-25 111-00 FFE E50.00 Aun M -07 0-5 -41 0-5 -13 1-3 day's open 00.000 High 96.52	111-01 110-30 000 64ths o 000 64ths o 1-10 81 1-10 82 1-44 83 2-22 81, Cast o 1-10 96,82 000 32nds o 100 111-09 110-25	73884 364 1100% PUTS	170470 552 Jun 1-57 2-63 31379 Open int 6,098
France  France  NotionAL France  NotionAL France  Nar 130.5  Jun 129.2  Sap 127.6  LONG TERM  Strike  Price 127 128 129 130 131 6  Et. vol. total, Calle 8	TURES & SET PICE   SET	D FUTU e Chang +0.16 +0.16 000 OPP 1LLS	PTION: RES (MATH PE High 1 130,74 1 127,58 1 127,58 1 127,58 1 100,000 1	F) FFr500.1 Low 129.54 1 129.54 1 127.56 (IF) 0.01 0.05 0.13 0.33 0.33	000 Est. v 60,43 239 239 PUTS Apr 0.44 0.77 1.26	4 1:	pen int. 27.777 14.733 778 Jun 0.651 0.68 1.28 1.28	Striket Price 111 112 113 Est. vol. tox Eets ECU B Mar  US US TRE	111-01 111-02 GRILT FUT 1-13 0-41 0-20 0-20 2, Celts 34 OND FUT Open 96.32 Open 111-19 111-03 1110-20	111-23 111-07 URES OPT 1-24 1 0-58 1 0-58 1 30 Pts 213 URES (MA 507 pts 213 111-03 111-03 110-25 110-18	+0-24 +0-25 FIGNIS (LI) LLS -34 2 -24 1 -00 1 72. Previous FIF) ECU1 Change +0.08	111-25 111-00 FFE E50,0 Aun M -07 0-3 -41 0-5 -13 1-3 1 day's open 00,000 High 196.92 877 \$100,0 High 111-20 111-23 110-20	111-01 110-30 00 64th o 00 64th o 1-10 11 1-10 12 1-44 18 2-22 et., Cab. 4 98.82 100 32nds o 100 32nds o 111-09 110-25 110-14	73884 364 100% PUTS — May 1-40 2-10 2-50 66006 Pus 247 # 100% Est. vol. 454,402 8,987 1,431	170470 552 Jun 1-57 2-63 31379 Open int 6,098
France  NOTIONAL FI Ope National File Notional File National File Nation	TURES A RENCH BON 68 120.54 66 120.52 68 127.64 FRENCH BO Mar 3.64 2.68 10.176 0.07 0.45 0.45 0.80 0.80 0.80 0.80 0.80 0.80	D FUTU C Chang +0.16 +0.16 2NO OPT LLS	PTION: RES (MATH) P High 1 129.38 1 127.58 1 127.58 1 22.61 2.61 1.09 0.70 a day's open	F) FFr500.0 Low 3 130.53 3 129.24 5 127.56 GF) Mar 0.01 0.05 0.13 0.33 0.81 vs. Cals 13	000 Est. v. 60, 43 928 239 PUTS Apr 0.44 0.77 1.26	1 145.23	Den int. 27,777 14,733 778 Jun 0.61 1.28 1.28 1.76	Striket Price 111 112 113 Est vol to: Ects ECU B Mar  US US TRa	111-01 111-02 GILT FUT 1-13 0-41 0-20 2, Celts 34 OND FUT Open 96.32 Open 111-19 111-03 110-20	111-23 111-07 URES OPT CAI Apr 1-24 1 0-56 1 0-36 1 0-36 1 30 Pts 213 URES (MA Set) proce 98.90 SOND PUT Lates 111-03 110-25 110-18	+0-24 +0-25 TONS (LILS	111-25 111-00 FFE E50,0 Aun M -07 0-3 -41 0-5 -13 1-3 1 day's open 00,000 High 196.92 877 \$100,0 High 111-20 111-23 110-20	111-01 110-30 00 64th o 00 64th o 1-10 11 1-10 12 1-44 18 2-22 et., Cab. 4 98.82 100 32nds o 100 32nds o 111-09 110-25 110-14	73884 364 100% PUTS — May 1-40 2-10 2-50 66006 Pus 247 # 100% Est. vol. 454,402 8,987 1,431	170470 552 Jun 1-57 2-27 2-83 31379 Open in 6,098
France  Notional, France Notional, France Notional, France Notional, France Long 129,2 Long Term Strike Price 127 128 129 130 131 6st. vol. total, Calls 8	TURES A RENCH BON 68 120.54 66 120.52 68 127.64 FRENCH BO Mar 3.64 2.68 10.176 0.07 0.45 0.45 0.80 0.80 0.80 0.80 0.80 0.80	D FUTU C Chang +0.16 +0.16 2NO OPT LLS	PTION: RES (MATH) P High 1 129.38 1 127.58 1 127.58 1 22.61 2.61 1.09 0.70 a day's open	F) FFr500.0 Low 3 130.53 3 129.24 5 127.56 GF) Mar 0.01 0.05 0.13 0.33 0.81 vs. Cals 13	000 Est. v. 60, 43 928 239 PUTS Apr 0.44 0.77 1.26	1 145.23	Den int. 27,777 14,733 778 Jun 0.61 1.28 1.28 1.76	Striket Price 111 112 113 Est vol to: Ects ECU B Mar  US US TRa	111-01 111-02 GILT FUT 1-13 0-41 0-20 2, Celts 34 OND FUT Open 96.32 Open 111-19 111-03 110-20	111-23 111-07 URES OPT 1-24 1 0-58 1 0-58 1 30 Pts 213 URES (MA 507 pts 213 111-03 111-03 110-25 110-18	+0-24 +0-25 TONS (LILS	111-25 111-00 FFE E50,0 Aun M -07 0-3 -41 0-5 -13 1-3 1 day's open 00,000 High 196.92 877 \$100,0 High 111-20 111-23 110-20	111-01 110-30 00 64th o 00 64th o 1-10 11 1-10 12 1-44 18 2-22 et., Cab. 4 98.82 100 32nds o 100 32nds o 111-09 110-25 110-14	73884 364 100% PUTS — May 1-40 2-10 2-50 66006 Pus 247 # 100% Est. vol. 454,402 8,987 1,431	170470 552 Jun 1-57 2-27 2-83 31379 Open in 6,098
France  NOTIONAL FI  NOTIONAL G	TURES & RENCH BON 18 130,64 121,764 11,76	D FUTU e Cheng +0.16 +0.16 2NO 099 14.15 -09 58 27 6 Previous	PTION: RES (MATH) P High S 130,745 129,38 127,58 127,58 100NS (MATH) Jun 2,81 1,60 1,09 0,70 a, day's open	F) FFr500.0 130.52 129.24 127.58 (IF) Mar 0.01 0.05 0.13 0.33 0.81 Int. Cals 13	000 Est. v 60,43 928 239 PUTS Apr 0.44 0.77 1.26 08.509 Pus	4 1: 1 145.2:	Den int. 27,777 14,733 776 Jun 3,61 1,28 1,28 1,76 1,76	Striket Price 111 112 113 Est vol to: Ects ECU B Mar  US US TRa	111-01 111-02 GILT FUT Mar 1-13 0-41 0-20 2, Calls M OND FUT Open 111-19 111-03 110-20	111-23 111-07 URES OPT CAI Apr 1-24 1 0-56 1 0-36 1 0-36 1 30 Pts 213 URES (MA Set) proce 98.90 SOND PUT Lates 111-03 110-25 110-18	+0-24 +0-25 TONS (LILS	111-25 111-00 FFE ESO,0 Aun M -07 0-3 -41 0-5 -13 1-3 1 day's open 00,000 High 96,52 BT7 \$100,00 High 111-20 111-23 110-29	111-01 110-30 00 64ths o 00 64ths o 1-10-30 11 1-10 8 1-44 8 2-22 et., Cala 4 96.82 100 32nds o 111-09 110-25 110-14	73884 364 100% PUTS — May 1-40 2-10 2-50 66006 Pus Est. vol. 247 247 247 247	Jun 1-57 2-27 2-83 31379 Open im 6,098 482,225 32,420 5,958
France  NOTIONAL FI  NOTIONAL GI  Open	TURES A RENCH BON  Sett pric  Set 127.64  FRENCH BO  Mar  3.64 2.68 10.47 0.67 0.45 0.480 Puts 8.8	D FUTU C Chang +0.11 +0.16 20 OPP 1.75 .09 .58 27 6 Previous	PTION: RES (MATH) P High 1 190,74 5 129.58 6 127.58 700NS (MATH) 2.61 2.61 1.60 1.09 0.70 a day's open	F) FFr500.0 Low 1 30.52 1 127.58 1 127.58 1 127.58 1 127.58 1 127.58 1 127.58 1 127.58 1 127.58 1 127.58 1 127.58	000 Est. v. 60,43 928 239 Apr - 0.44 0.77 1.26 000 1000 Est. v.	4 13 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Jun 1,00% pen int.	Jun LONG Strike Price 111 112 113 Est vol to: Ects ECU B May  US US TRa Jun Sep Japan E NOTIO	111-01 111-02 GILT FUT 1-13 0-41 0-40 2. Cells 34 OND FUT Open 96.32 Open 111-19 111-03 110-20	111-23 111-07 URES OPT 1-24 1 0-98 1 0-98 1 0-98 1 130 Pas 213 URES (MA 5-87 proc 98.90 98.90 98.90 111-09 110-25 110-18 G TERM J	+0-24 +0-25 TONS (LILS	111-25 111-00 FFE E50,00 Aun M -07 0-5 -41 0-5 -13 1-3 dary's open 00,000 High 96,52 97) \$100,00 High 111-20 111-20 110-20 High	111-01 110-30 00 64ths o 00 64ths o 1-10-30 11 1-10 81 1-44 82 2-22 et., Cata d 1-44 96.82 et., Cata d 1-44 96.82 et., Cata d 1-10-25 110-25 110-14	73884 364 1100% PUTS — May 1-40 2-10 2-10 2-10 5006 Pus Est. vol. 247 247 247 154,402 8,987 1,431	170470 552 Jun 1-57 2-63 31379 Open int 6,098 Open int 482,229 32,420 5,958
France E NOTIONAL FR  Viar 130.5 An 129.5 Sep 127.5 E LONG TERM  Drike 127 128 129 127 128 129 120 131 131 131 132 141 151 151 151 151 151 151 151 151 151	TURES A  THENCH BON  1 Sett pric 18 120.64 127.64 127.64 127.68 11.76 101.84 101.84 101.84	D FUTU e Chang +0.16 +0.16 +0.16 00NO OPP LLS 	PTION:  RES (MATI)  P High  1 130.74  1 127.58  1 127.58  1 127.58  1 109  0.70  a day's open  RES (LIFFE  B High  1 109  1 101.92	F) FFr500.1 Low 1 129.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56	000 Est. v 60,428 239 239 0.44 0.77 1.26 000 1000 Est. v	4 1: 1145,23 of Os Of Os Of Os Of Os Of Os	Den int. 27,777 14,733 776 Jun 0.61 1.68 1.28 1.76 77.	Jun BLONG Strike Price 111 112 113 Est vol to: Eets BECU B Mar  US BUS TRA  Mar  Jun Sep Japan B NOTION (UFFE)	111-01 111-02 III.T FUT 1-13 0-41 0-20 0-41 0-20 Open 111-19 111-03 110-20	111-23 111-07 URES OPT 1-24 1 0-98 1 0-98 1 0-98 1 130 Pas 213 URES (MA 5-87 proc 98.90 98.90 98.90 111-09 110-25 110-18 G TERM J	+0-24 +0-25 TONS (LILS	111-25 111-00 FFE E50.01 Aun M -07 Q-3 -41 Q-5 -13 1-3 day's open 00.000 High 111-20 111-20 111-20 High 126.37	111-01 110-30 00 64th o 00 64th o 1-10 81 1-10 82 1-44 83 2-22 81, Caba 4 10 98, B2 10 10 110-05 110-14	73884 364 100% PUTS — May 1-40 2-10 2-50 66006 Pus 247 247 247 247 247 247 247 247	170470 552 Jun 1-57 2-63 31379 Open int 6,098 Open int 482,220 5,958
France  NOTIONAL FI  NOTIONAL GI  Open	TURES A  THENCH BON  1 Sett pric 18 120.64 127.64 127.64 127.68 11.76 101.84 101.84 101.84	D FUTU C Chang +0.11 +0.16 20 OPP 1.75 .09 .58 27 6 Previous	PTION:  RES (MATI)  P High  1 130.74  1 127.58  1 127.58  1 127.58  1 109  0.70  a day's open  RES (LIFFE  B High  1 109  1 101.92	F) FFr500.1 Low 1 129.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56 1 127.56	000 Est. v. 60,43 928 239 Apr - 0.44 0.77 1.26 000 1000 Est. v.	4 1: 1145,23 of Os Of Os Of Os Of Os Of Os	Jun 1,00% pen int.	Jam  LONG  Strike Price 111 112 113 Est vol tot  Ect  ECU  Mar  Jun Sop  Japan  Norrio  (UFFE)	111-01 111-02 03ILT FUT 1-13 0-41 1-13 0-20 2, Calls 34 ONED FUT Open 111-19 111-03 110-20 NAL LONY 7100m 11 126.35	111-23 111-07 URES OPT 1-24 1 0-56 1 0-56 1 30 Pies 213 URES (MA 5-50 pies 213 111-09 110-25 110-18 G TERM J Close	+0-24 +0-25 TONS (LILS	111-25 111-00 FFE ESO,0 Aun M -07 0-3 -41 0-5 -13 1-3 -13 1-3	111-01 110-30 00 64ths o 00 64ths o 1-10 81 1-44 82 2-22 et., Cala 4 98.82 et., Cala 4 111-09 110-25 110-14	73884 364 100% PUTS — May 1-40 2-10 2-50 6006 Pus Est vol. 247 247 247 247 247 247 247 247 247	170470 552 Jun 1-57 2-27 2-83 31379 Open in 6,098 Open in
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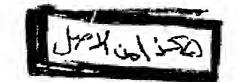


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EME CROSS RATES

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# MANKETS DIGEST

FEBRUARY FEBRUARY

sia to issue eurobonds

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Market Commence of the Commenc

MARKETS REPORT By Simon Kuper The dollar jumped again yesterday, buoyed by German and Japanese comments suggesting that the Group of Seven industrialised nations would not try to block the currency's rise at a Berlin meeting on Saturday.

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Feb 3

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Mr Ryutaro Hashimoto, Japanese prime minister, said there was little chance of the meeting producing concerted action against the

But he also said that the yen's recent steep fall was cause for concern, and he called for stability in currency markets. Japan's ministry of finance also stopped short of calling for e dollar reversal, saying only that it would ask the G7 to prevent "excessive" currency moves. Foreign exchange strategists said this could mean the meeting would agree to try to keep exchange rates sta-

POUND SPOT FORWARD AGAINST THE POUND

18,8350 +0.167 250 - 450 54,6346 +0.6862 878 - 813 10.1028 +0.0852 974 - 081 7,8899 +0.0856 802 - 995 8,9511 +0.0929 473 - 549

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+0.0741 872 - 966 +0.3292 929 - 449

+0.0368 345 - 490 +1.737 156 - 406

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(PS)

Hashimoto reassures dollar bulls on G7 ble at current levels.

Theo Waigel, German the dollar) that has been established by financial markets". The US currency rose 6.5 per cent against the less than was feared. D-Mark last month.

It gained another 0.7 pfen-Y0.5 against the yen yesterday to close in London at DM1.644 and Y121.8. Traders saw strong resistance at Y122.5 to the yen.

The dollar was held back by a stronger than expected fall in the National Association of Purchasing Managers' index for January. That appeared to raise the chances of the Federal Reserve leaving interest

E Pou	nd in New Y	ork
Feb 3	Latest	Prev. closs
l' spot	1.6135	1.8020
1 milia	1.6126	1,6011
3 msh	1.6106	1.5990
1 <b>y</b> r	1.6008	1.5898

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54.8750 \$3,9350 54,5096 2,9875 2,9369 2,9871 10,5194 10,3527 10,4706

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rates on hold at its two-day Dollar. Reinforcing that view, Mr meeting starting today.

Sterling, by contrast, was finance minister, said in boosted by a Purchasing Davos on Saturday that "we Managers' Index for January can live with the level (of that rose where a fall had that the strong pound has been hurting UK exporters

That, and buying by funds on the dip, helped the pound nigs against the D-Mark and recover from its plunge last week. Sterling closed 2.4 pfennigs higher against the D-Mark at DM2.648 and 0.8 cents up against the dollar at \$1.611.

Both the lira and the peseta fell against the D-Mark yesterday, after a barrage of German comments suggested that Spain and Italy might fail to qualify for the first round of European monetary union, due to start in 1999. The lira fell L5 against the German currency to L987.9. The peseta dropped to Pta85.01, falling through the key psychological Pta85 level despite Bank of Spain attempts to

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**CURRENCIES AND MONEY** 



prop up the currency. Mr George Soros, the financier, predicted yesterday that markets would react calmly if Italy and Spain were excluded from the first round, as long as it was clear that they would make the second round, expected in 2002.

A Eurostat report vesterday suggested that there were no European Union plans to censure countries

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Beiglum
Denmark
Fintand
France
German
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Ireland

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Hong Kong

**OOLLAR SPOT** FORWARD AGAINST THE BOLLAR

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258.906 +1.215 840 -970 1.5940 +0.0035 930 -950 1623.16 +13.6 275 -357 33.8645 +0.1545 760 -130 1.8456 +0.0072 451 -460 6.5036 +0.0073 1014 -057 6.5036 +0.0131 014 -057 1.125 650 -700 7.2903 +0.0568 665 -940 7.2903 +0.0568 665 -940

1.4208 +0.0024 202 - 214 1.6119 +0.0094 114 - 124 1.1768 -0.0039 765 - 771

+0.0003 999 - 999 +0.0008 445 - 450

-0.0045 433 - 438 - 170 - 230

+0.005 850 - 750

+0.0036 105 - 174 +0.37 730 - 810

- 848 - 856 - 518 - 529 -0.015 000 - 700 -0.0001 502 - 506

+0.0008 080 - 090

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+0.0062 \$25 - 432 +1.215 840 - 970

accused of fiddling their bud- international in London, gets to qualify for Emu.

■ Japan and Germany are had at most been trying to clearly not altogether happy about the rising dollar. The Bank of Japan reported yesterday that its foreign exchange reserves had fallen by Y731m in January - a small fall, but the first one in 36 months. It seemed to confirm market rumours in January that the bank had been selling some of its immense stockpils of dollars.

And the Bundesbank which seldom intervenes in the markets - last week strongly that he would not reported a DM700m fall in its foreign exchange reserves in the week to January 23. However, Mr Gerard Lyons, chief economist at DKB

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said the small sums involved suggested that the banks manage the dollar's rise,

rather than to reverse it. He expects no joint G7 action to emerge from the Rorlin summit. If none does that could boost the dollar.

■ The pound rallied yesterday even though further vestiges of UK rate rise expectations were removed. Comments et the weekend by Mr Kenneth Clarke, the UK chancellor, hinted raise UK rates after Wednes day's monetary meeting with Mr Eddie George, gov ernor of the Bank of

England. The Wednesday meeting is generally regarded as Mr Clarke's last chance to raise rates before the general elec tion, which must be held by May. Short sterling futures contracts yesterday continued last month's rise, on falling rate expectations.

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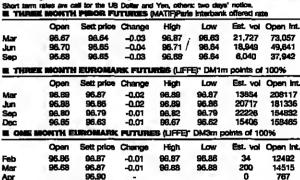
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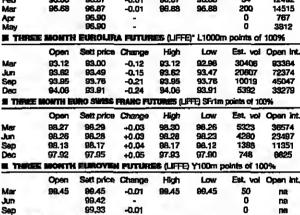
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WORLD INTEREST RATES MONEY RATES February 3 Over night 4.75 3.00 6.25 7.35 3.30 treland 8.25 3.00 1.00 6.00 0.50 E \$ LIBOR FT London 5& 5.20 4} 3% 5<u>13</u> 5.29 Interbenk Fixing US Dollar CDs 4<u>1.</u> 32. S LIBOR Interbenk fluing rates are offered rates for \$10m quoted reference banks at 11mm each working day. The banks are: Banksa

**EURO CURRENCY INTEREST RATES** 

EURO OU	LEBELIA	A AREST E	ه تنکای			
Feb 3	Short	7 days natice	One month	Three months	Sb; months	One
Belgian Franc Denieh Krone D-Mark Dutch Gullder Franch Franc Portuguese Esc. Spanish Possta Sterling Swiss Franc Can. Doller US Doller Tailign Lira Yen Asien \$\$ing Short term raises a 88. THAPSEEL 8800						3½ - 3½ 3½ - 3½ 3½ - 3½ 3½ - 3½ 552 - 5½ 552 - 5
Ор	en Sett p	rice Chan	ge High	Low	Est. vol	Open in



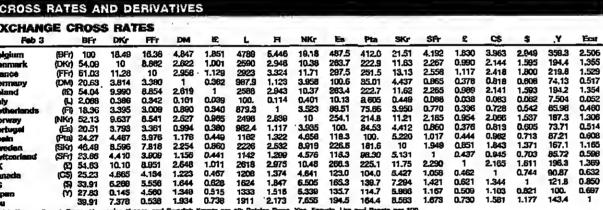


THREE MONTH ECU FUTURES (LIFFE) Ecutin points of 100% Open Sett price Change High Low Est. vol Open Int. 95.90 95.95 95.95 -0.08 -0.06 -0.06 -0.04 95.97 95.99 95.99 95.91 10325 6130 LIFE futures also traded on APT

EUROLINA OPTIONS (LIFFE) L1000m points of 100% Sep

Price 0.63 0.45 0.30 0.17 0.23 0.31 0.93 0.21 Est, vol. total, Calls 8111 Puts 3106, Previous day's open int., Calls 113096 Puts 73768

#### 4,0061 +0,0234 040 - 061 2,3410 +0,0736 394 - 426 42,4494 +0,2235 796 - 190 6,0453 +0,0351 431 - 475 New Zealar Philippines Philippines Saudi Arabia 6.0558 5.9877 2,2704 +0,0146 689 - 718 2,2734 2,2490 7,3027 -0,0151 980 - 074 7,3165 7,2454 1397,68 +12,88 708 - 827 1396,27 1384,17 South Korea +0.274 846 - 765 44.2778 43.8000 +0.2114 181 - 812 41.8150 41.3410 † SDR rate per 5 for Jan 21, Bid CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATES**



Spek	(Pta)	24.27	4,487	3.976	1.176	0.449			4.658	118.3	100.	5.220			0.962	0.713		0.608
Sweden	(SKr)	46.49	8.596	7.818	2.254	0.860	2226	2.532	8.919	226.6	181.6	10			1.843	1.371		
Switzerland	(SFr)	23.86	4,410	3.908	1.156	0.441	1142	1,299	4.576	116.3	98.30	5.131			0.945	0.703		
UK	(2)	54.63	10.10	8.951	2.648	1.011	2618	2.975	10.48	266.3	225.1	11.75	2.290	1 2	2.165	1.611		
Canada	(CS)	25.23	4.665	4.194	1.223	0.467	1208	1.374	4.641	123.0	104.0	5.427		0.462	1	0.744		0.632
US	(53)	33.91	6.288	5.556	1.644	0.628	1624	1.847	6.505	165.3	139.7	7.294	1,421	0.621	1.344	1	121.8	
Japan	m	27.83	0.145	4.560	1.349	0.515	1333		5,339	135.7	114.7	5.986			1.103	0.821		0.697
Ecu		39.91	7.378	0.538	1.934	0.738	1911	2.173	7,655	194.5	164.4	8.583	1.673	0.730	1.581	1.177	7 143.4	1
Denish Kroner,														10 E .	v-	- 100		
D-MARK	Open Open	Es (IMM)	DM 125,	000 per	DM L	ow I	Est. vol	Open Int.			Open	Latest	S (IMM) Y	Hägh	L	OW		Open int.
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D-MARK	Open Open	Es (IMM)	DM 125,	000 per l	DM L	ow I	Est. vol	Open Int.			Open	Latest	Change	Hägh	2 0.8	OW		
Mar C	Open 0.611\$ 0.9121	Latest 0.6094 0.6131 0.6185	OM 125, Change -0.0029 -0.0029	000 per e High 9 0.605 9 0.613	DM L	ow ( 1080 1113	Est. vol 18,701	Open Int. 79,237 5,214	Mar Jun Sep	0	Open 0.8291 0.8336	Latest 0.8252 0.8342 0.8500	Change -0.0029 -0.0047	0.8252 0.8353	2 0.8	ow 3229	18,788 490	75,858 3,113

E SWISS FRAM	C FUTURES	S (IMM) SF	125,000	per SFr			E STERLE	10 FUTURE	ES (IMM) 252,	500 per £			
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_	_		-		_		EMS EL	JROPEA	N CURR	ENCY L	NIT RA	TES	
UK INTER	EST RA	TES			_		Jan 31	Ecu cen.		Change	% +/- from		d Div.
LONDON N	ONEY I	RATES						rates	against Ecu	on day	cen. rate	v weakes	st ind.
Feb 3	Over- night	7 days notice	One	Three months	Sb: months	One	ireland Portugal	0.798709 197.398		+0.004157 -0.218	-6.51 -1.27	8.65 2.89	44 8 7
interbank Starling Starling CDs	73, - 5	618 - 616	61g - 616			6월 - 6월 6월 - 6월	Fintend Spain Italy	5.85424 168.826 1905.48	164,532	+0.00302 +0.009 +7.49	-1.01 0.43 0.58	2.31 1.14 0.98	-3
Treesury Bills Bank Stils		-7 -3	511 - 571 511 - 511 611 - 6			6% - 64	Netherlands Germany	2.16979 1.92573	2.18262 1.94305	-0.005 -0.00492	0.59	0.98 0.67	-7 -9 -6
Local authority det Discount Market d	eps 74 - 6		-	•	•		Denmark Belgium Austria	7.34555 39.7181 13.5485	7.41238 40.0662 13.6745	-0.02128 -0.097 -0.0332	0.91 0.82 0.93	0.86 0.85 0.84	-7 -7
UK clearing bank i	base landing	Up to 1	1-3	3-6	6-9	9-12	France	6.45863		-0.01405	1,58	0.00	-13
		month	month	months	months	months	NON ERM I						
Certs of Tax dep.	(2100,000)	212	512	6	5	434	Greece	295.269 0.793103	0.741538	+0.395 +0.006564	3.65 -6.50	-1.99 8.64	Ξ
Certs of Tax dep. un Ave. tender rate of d up day Jan 31, 1997 Reference rate for pi House Base Rate 64;	Scount on Jan Agreed rate 1 vied Jan 1, 19	or period Fet 97 to Jan 31	- DE 1007 N	Mor 75 1	907 Sohem	ence. Make e III 7.88pc. inance	Percentage that between two sp	nges are for Ec reads: the part	ropeen Commission, a positive cham cantage difference protested percentag uspended from El	ge denotes 4 w between the ar a deviation of t	eak currency.Dr tual exertest and he currency's m	vergence ence I Ecu central r enlet rate fro	aces for s n to Enu
			SS O IFFE	2500.000	) points of	100%	E PIELADI	ELPHIA SE	£/\$ OPTION	<b>\$</b> £31,250 (	pents per po	und)	

THE PER	SECRETAL SECTION	STERLIN	G FUTUR	SS (LIFFE	2500,000	) points of	100%	E PHEL	adélphia se é	/\$ OPTH	DNS 231,25	(Cents per	pound	
	Open 93.65 93.40 93.20 93.01	Sett price 93.65 93.42 93.21 93.03 92.90 I Open Inter	+0.01 +0.03 +0.03 +0.04 +0.04	High 93.66 93.44 93.24 93.05 92.82	93.63 93.39 93.18 96.00 92.88		Open Int. 104542 106474 70621 53420 39306	1	Feb 1.32 0.98 0.64 ay's vol., Cuth 1,225					
SHORT ike		MG OPTIO	18		points of	PUTS -	Sap	Strike Price 0.605	Feb 0.82	CALLS Mar 1.20	Apr 1.48	Feb 0.32	Mar 0.59	Apr 0.77
00	Me			Sер .13	0.03	0.21	0.42	0.610	0.53	0.91	1.20	0.53	0.81	0.99

E SHORT STER	oug o	PTIONS (	LIFFE £50	0,000 po	ints of 100%		Strike			ш\$			PUTS	
					PUTS -		Price	Fe	b M	lar A		Feb	Mar	Apr
Strike		- CALLS	Sep	Mer		Seo	0.605	0.8	2 1.			0.32	0.59	0.77
1770	Mer	Jun		0.03		0.42	0.810	0.5	8 0.			0.53	0.81	0.99
350 0	.18	0.13	0.13	0.13		0.60	0.818	0.8				0.82	1.08	1.26
	.03	0.05	0.06	0.15		0.81	Previous d	lay's vol. Ca	194 Puts	797 . Prev. di	ay's open in	L, Cale 37	708Pus 24	290
M00	0	0.01	0.02				1							
9400 Est. vol. total, Calls (	3287 Pu	15 450. Prev	fous days o	Span m., c	ASS IS IND I FUND	1-0110				*				
							E THES	E MONTH	EURODO	HAR (M)	A) \$1m po	ints of 10	0%	
							7	Open	Latest	Change	High	Low		Open int
							Mar	94.43	94,41	-	84.42	94.41	69,822	404,820
				BAT	TC		Jun	94.29	94.29	+0.01	94.30	94.28	140,853	
	B	ASE LE	MDIM	S KAI			Sep	94,13	94.13	+0.01	84.14	84.12	126,059	295,940
				*		*	1							
	%	_	l suurio	6.00	Royal Bk of Scot	tend 6.00		TEASURY	BET LA	WRES (IMA	AŞŞ1m per	100%		
Adam & Company	6.00		ank Limited	7.00	<b>e</b> Singer & Fried	ander 8.00	Маг	94.95	94.95	_	94.96	94.95	201	4.714
Allied Irish Bank (G			& Gen Bar	nk 7.00	<b>esmith &amp; Williams</b>	Secs 6.00	Jun	94.85	94.85	+0.01	94.85	94.85	172	3.315
Ottenry Ansbacher			Fleming &	Co8.00	Scottish Widows	Bank 6.00	Sep	94,05	64.68	+0.03	94.58	_	17	794
Benk of Beroda	6.00	-Outers	esa Mahon	6.00	TSB	6.00		nterest figs.						
Banco Bilban Vizce		Limbih Br	ars, AG Zun	ch 6.00	United Bank of K	wat 6.00				FFE) DM1n	n points of	100%		
Bank of Cyprus	6.00	- Lamby	ne Benk	6.00	Unity Trust Senk	Pig 6.00							PUTS -	
Benk of Ireland	6.00	Liettohio	& Gen inv	Bk.6.00	Western Trust	3.00	Strike	C-1-	Mar CA	ADY Ju	ın Feè	Mar		Jun
Barnik of Incide	6.00	OHE SE		6.0	Whiteaway Leidis		Price	Feb		•			•	0.06
Bank of Scotland	6.00	C. Hours		6.00	Yorkshire Bank	6.00	9875	0.13		0.14 0.1				0.18
Barcievs Bank	6,00	Honniton	g & Shangi	nei 6.00			9700	0.01	0.02	0.03	-			0.40
Bot 8k of Mid East	6.00	la maria	Bank (UK)	Ltd6.00	<ul> <li>Morabers of L</li> </ul>	andon	9725			2. Previous				
OBrown Shipley & Co	nd 6.00	Lating Mr	odge Bank	8,00	. Investment Ba	entaing:	Egt. vol. to	1501, Capille 18	90 M23 640 Banke ob	TIONS (LIF	en strik	u vojuje t	100%	
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Civdesdale Bunk	6.00		enk	6.00	" in seministrati	ion	Strike			<b>∐</b> S			PUTS	Sep
The Co-operative B				3.00			Price	Me	-			Mar	-	
Coutes & Co	6.00			6.00			9860	0.0				1.25	0.33	0.49 0.65
Course Courter Per				6.00			9675	0	O.I	DS 0.0	J7 0	1.48	0,52	0.00

#### **Futures Options FX** 0171 UNION CAL Ltd. 3030

UTURES RERKELEY FUTURES LIMITE & FOREX 38 DOVER STREET, LONDON WIX 3RB TEL: 0171 629 1153 FAX: 0171 495 0022 WELCOME

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LETD-HALDOCK & COPEN **OFFSHORE COMPANIES** FOR TOD page FREE COUNT GROWN OF THE HART INSTRUMENT OF CONTROL SELECT MARK: DIMENSTRY, CA. THE HART STORM FIRST -44 1624 STORM FIRST STOR

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Signal

CITY INDEX



#### **RPS** Residential Property Securities No.4 PLC £290,000,000 £180,000,000 Class A1 Notes Class A2 Notes

Mortgage Backed Floating Rate Notes due 2023 In accordance with the provisions of the Notes, notice is hereby given that for the three month period 31st January 1997 to 30th April 1997,

the Class Al Notes and Class A2 Notes will carry an interest rate of 6.47813% and 6.55313% per annum respectively. The interest payable per £100,000 Note will be £630.61 for the Class A1 Notes and £1,597.89 for the Class A2 Notes.



TO SAVE THE RAINFOREST WE PROVIDE TREES TO CHOP DOWN.

By helping people in the rainforest to plant trees, WWF

Uganda, where indigenous ods take up in two hundre years to mature.

The Markhania lates trees WWF gave ready for harvesting in only five years

Where trees are chopped

last growing local pine species. The idea behind

all our work a that rainforests used wisely can be used forever. Write to the Membership Office

Company of New York with effect from the date thereof as et out in the Notice of Meet ing previously notified to Bondholders in accordance with the terms of the Trusi Deed for such Bonds was duly passed. The Supplemental Trust Deed recording the ef-fect of the Extraordinary Resolution shall be available for inspection from all Paying Agents for the Bonds including Banque Général du Lux-embourg S.A. (Paying Agent in Luxembourg).

NOTICE TO

THE HOLDERS OF THE OUTSTANDING

Seika Corporation

US\$100,000,000

2 3/8 Per Cent. **Guaranteed Bonds** 

due 1997

ing of such Holders held a the offices of Clifford Chance

200 Aldersgate Street, London EC1A 4[] on 23 January 1997 at 11:30 am (London time), the Extraordinary Reso

lution to approve the appointment of Tokai Trust Europe

Limited as trustee for the Bonds in place of Tokai Trust

NOTICE IS HEREBY GIVEN to the Holders of the above Bonds that, at the Meet-

Dated: 4 February, 1997

By Kenneth Gooding,

tively low prices.

Group, there was e total

of 218,000 tonnes, compared

years the supply eurplus

The etudy group, which

has 30 countries among its

members, says the western

world'a production of refined

zinc fell substantially below

consumption - 5.459m

tonnes against 6.279m tonnes

- hut exports from the for-

mer eastern bloc countries,

and Chins in particular,

made up most of the deficit.

Im tonnes of zinc for the

tbird year in auccession.

with a rise of 1.1 per cent

from the 1995 level to 1.09m tonnes. The ILZSG estimates

7.528m tonnes to 7.535m

tonnee. Mine output rose

from 6.955m tonnes to 7.021m

tonnes and refined produc-

tion slipped slightly from

7.33m tonnes to 7.317m

Zinc's main uses are in

coatings to protect iron and

steel from corrosion, alloys

for casting and as an ele-

ment in brasses. Other mar-

kets include the use of zinc

sheet for roofing and clad-

ding huildings and of zinc

JOTTER PAD

tonnes.

oxide in tyres.

accounted for 200,000.

China produced more than

totalled 1.2m tonnes.

Mining Correspondent

Zinc use ahead

MARKETS REPORT By Kenneth Gooding

and Peter John Gold received a temporary boost yesterday from Euro- with investment perforstat, the statistics arm of the European Union, which sales by EU central banks could not be used to cut budget deficits in order to meet the entry criteria for Euro-

pean monetary union. However, traders of Gold Fields of South suggested the news would Africa, told Reuter be expecmake little lasting impression, even though the fear of \$345 and \$365 for some more central bank gold sales has weighed beavily on the

"The market has known deficits is not the main issue. The real issue is the way central bank reserve assets are being re-examined mance in mind," one said. Gold was "fixed" at \$344.30

ruled that proceeds of gold a troy ounce in the afternoon in London, \$1.20 below Friday's afternoon fix. In late London trading it reached \$346.30 an ounce. Mr Alan Wright, chairman

ted gold to trade between months and that at present there were signs of more central bank selling.

buying sent nickel prices to a 414-month peak in early trading. The price touched \$7,740 a tonne, an increase of 2 per cent from Friday's close, before profit-taking halted the rise. In late trading nickel for delivery in

\$85 from Friday's close. While the technical squeeze in the copper market has eased slightly, the premium for metal for immediate delivery, compared with three-month copper, was still relatively hig: \$175 a tonne compared with \$225 on Friday. Traders said this would continue to attract

three months was \$7,670, up

On the London Metal copper to LME warehouses Friday's trend as strong exchange to report today that its copper stocks had risen by between 10,000 and

> Oil futures traded lower as dealers began to anticipate lower demand before refineries close for maintenance. February Brent Blend

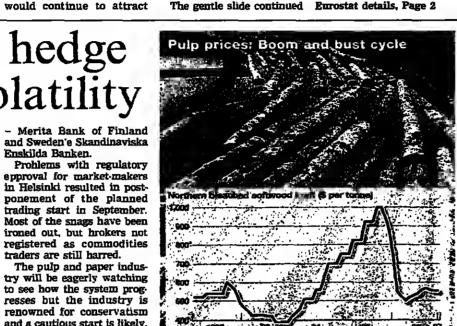
> opened et \$23.25 in Tokyo and drifted down throughout the day to hit \$23 at midday in London. It recovered slightly during the afternoon hut dealers were still only prepared to pay \$23.04. However, March recovered lost ground to trade at \$22.54, six cents down on the day.

for some time that cutting Exchange, speculative fund and some expected the technical support failed to offset fundamental concerns. Brent fell 66 cents on Friday as dealers liquidated

long positions in petroleum products, particularly in US heating oil futures. Milder than normal

weather for the time of year in the US north-east, the world's single largest heating oil market, has also helped turn prices lower. However, some dealers

were vesterday booing that data on US oil stocks from the American Petroleum Institute expected tonight might provide renewed direction to the market.



Trades in Helsinki will be supplied to the exchange by based on long-fibre, or north-(NSBK), the industry bench-However, exchange is confident shortfibre from southern producers will be tradable due to

the absence of a physical delivery requirement and a close correlation between prices of the two grades. Contracts will be based on a benchmark index price

50 companies for their trade ern bleached softwood kraft in Europe. The bottom 10 per cent and top 10 per cent of the prices are filtered out in order to maximise accuracy. Should the exchange

912 -3 914 908 2,595 31,554 933 -4 906 926 2,500 25,193 953 -3 955 946 163 11,309 972 -4 674 966 83 12,711 984 -5 886 978 288 11,199 1002 -3 1004 998 482 17,818

1431 +12 1428 1422 378 4.141 1453 +12 1450 1448 39 12,674 19,587 89,753

TO COFFEE LIFFE (\$/tonne)

■ COFFEE 'C' CSCE (37.500lbs; cents/lbs)

COFFEE (ICO) (US conts/pound)

SUGAR "11" CSCE (112,000lbs; cents/lbs)

attain its targets, it envisages offering trades in certain paper grades within three years. Top of the agenda are newsprint, some fine paper grades and recy cled paper.

# Coffee **futures** prices up

Arabica coffee futures rose sharply in New York yesterday on speculative buying, amid continued fears about tight supplies.

In London, robusta coffee futures were driven up by news that Indonesia, a leading producer, was to cut exports in the first half by 150,000 hags as part of a producer agreement to limit supplies and raise prices. The New York March posi-

tion was up 4.85 cents at \$144.25 a pound in morning trading, while London's March contract closed \$33 higher et \$1.535 a tonne.

Coffee futures prices have climbed for much of this year on the back of concerns abont a smaller crop in Brazil and a dock strike in Colombia, two of the biggest coffee producers, at a time of growing world consump-

Ms Judy Ganes, soft commodities analyst at Merrill Lynch in New York, said: "Central American supplies sbould be at their greatest but the coffee isn't building up because it'e all being ebsorbed."

The market climbed in New York despite indications that long positions held by speculators were at their highest since 1994.

This was seen as bearish. Ms Ganes said, because "all the funds are long of the market, so who is left to buy?"

 Douwe Egberts, the Dutch coffee roaster and wholesaler, said yesterday It would raise the retail price of its coffee in response to the sharp rise in world prices, Reuter reports from Amsterdam, The company said it

would increase the price of a 250 gramme pack of coffee by 25 cents, making an ever-Greg McIvor | age retail price of F1 3.55.

of production again in 1996 points out that the slight fall in western world consumption last year followed two years of above-trend growth: Zinc consumption was at 5.6 per cent in 1994 and 6.6 record levels and outpaced

offshore

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Francisco Contract Co

Annable Branch Miles

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= SEY SECONISED!

Colors and a

refined production for the per cent in 1995. Mr Neil Buxton, research second successive year in director, suggests that 1996 as the market struggled growth will pick up again to to absorb previous hig sur-2.7 per cent both this year pluses and to cope with relaand in 1998. According to the Interna-tional Lead & Zinc Study

Mr Buxton is forecasting western production will rise by 2.5 per cent this year and 3.8 per cent in 1998. He world supply deficit last year warns there is some danger with a 198,000 tonnes deficit of smelter capacity shortages in 1995. In the previous three

MBR says that zinc stocks by the end of this year will represent only about six weeks consumption, suggesting that "the fundamentals should support a steady advance in zinc prices in

Mr Buxton predicts that zinc prices will end 1997 at ehout \$1,425 a tonne and average \$1,288 e tonne for the year, 25 per cent above the 1996 average.

The price of zinc has risen strongly in the past week, partly because of investment fund huying, and yesterday touched a two-year peak of \$1.175 a tonne.

that eastern net exports to MBR is forecasting a 1998 the west totalled 465,000 average of \$1,525 a tonne and tonnes, of which Chine a peak of more than \$1,650 a topne, well below the price The study group says that world consumption of zinc in previous hull markets. Mr Buxton suggests that moved up marginally from

investment funds will take their profits at ahout thet level and "cap" any rise. • European customers of MIM, the Australian group, said yesterday that their allocations of zinc concentrate - an intermediate product - would be cut by half this year because MIM's output would be down from

410,000 to 360,000 tonnes. Traders suggested this would have little impact on prices, because MIM announced in December it In a market review today, would cut production at its Metal Bulletin Research Hilton mine in Queensland. would cut production at its

# Helsinki offers hedge against pulp volatility

presents a long-sought establish e pulp futures maropportunity for forestry ket. It will enjoy a head-start groups to hedge against the over OM Group, the Swedish pulp price volatility that has derivatives exchange operabuffeted their profits in

Trading in pulp futures ood quarter of 1997. A third and options starts in Helsinki this morning - the first in Liverpool later this year. move in more than a decade to establish derivatives trad-

been made to establish contracts for pulp, the biggest commodity without a futures market. But these failed partly because price swings had not been as exaggerated as in recent years.

The gap between price peaks and troughs has widened over the past 25 years. culminating in a rollercoaster ride in which prices rose from less than \$400 a tonne in 1993 to more than \$1,000 in 1995 and back down to around \$560 today. The companies have trained to violence of the latest swings vinced forestry executives of

trading exchange for Futures Exchange is the first and Sweden'e Skandinaviska wood pulp derivatives of three rival attempts to Enskilda Banken.

tor, which aims to launch trading in London in the sec-Mr Anders Lindeberg.

president of the Helsinki exchange, said it aimed to Previous attempts bave reach a volume equivalent to 10 per cent of the \$25hn worth of pulp traded each year on the open market. An additional \$80bn of pulp is traded internally by companies, which is also subject to voletility and a potential source of futures contracts.

> Some 30 companies, including the Norscan bloc of Scandinavian and North American producers, and Asian groups, have registered interest in trading in Helsinki, Between 12 and 15 other participants can exchange contracts through signed up as marketmakers ish forestry group.

Problems with regulatory

epproval for market-makers in Helsinki resulted in postponement of the planned trading start in September. Most of the snags have been ironed out, but brokers not registered as commodities traders are still harred. The pulp and paper indus-

to see how the system prog-resses but the industry is renowned for conservatism and a cautious start is likely. "We will give it a little time first to see how the exchange develops, hut our basic attitude is positive," said Mr Ulf Gunnarsson, of Sodra, the Swedish company which is Europe's largest producer of market pulp,

Others prefer to wait for the inception of OM's scheme, which will be based on physical delivery rather than cash settlement in Helsinki. "We believe that Lontrade on the exchange, while don, as an established commodities trading centre, is e better location than Helthe two banks which have sinki," said Stora, the Swed-

which has been calculated weekly since June from data

SOFTS IN COCOA LIFFE (E/tonne)

#### MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000lbs; cents/lbs) 63.625 -0.925 64.700 63.726 2.389 16,277 65,900 -0.925 67,000 65,775 4,870 41,497 64,525 -0.450 85,075 64,300 2,733 14,539 54,325 -0.375 64,900 64,100 1,477 17,168 57,450 -0.325 68,100 57,300 813 9,812 69,775 -0.325 70,350 89,800 475 4,088

IL LEAN HOGS CME (40,000lbs; conta/lbs) 75.700 +0.800 75.925 75.200 3,415 7,325 75.325 +0.575 75.400 74.900 7,146 13,672 80.575 +0.375 60.675 80.250 1,574 78.700 +0 425 78.800 78.200 292 Ang 75.375 +0.350 75.400 74.800 311 Oct 88.425 +0.550 88.500 67.800 55 Total

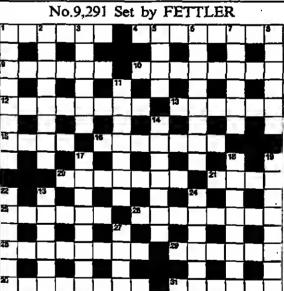
F PORK BELLIES CME (40,000/bs; cents/lbs) Prev. day Feb 78.380 +0.450 79.000 77.450 1,629 1013.89 Mar 77.256 +0.825 77.900 76.425 1,258 May 78.225 +1.025 78.000 77.400 662 Jul 77.550 +0.350 77.500 76.850 168 Avg 74.550 +0.475 75.000 74.350 27 Total 3,744

FFEE LIF	TE 65/	tonnei	1			Jel	77.550 +0.350			168	625
		_				Arry	74.550 +0.475	75.000	74.350	27	436
1500						Total				3,744	8,688
1531	+31	1553			18,074						
1530	+33				20,311	10	NDON TR	ADE	n o	DT7	THE
1530	+35										
7525						Strike	o price \$ tonne	C	offs	P	uts
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145.00	A 5 74	145.00	139.75	6016	22 421				66	36	65
			135.25						45	66	93
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			129.50				OPPER			64-	
			124.25				e A) LME	Mar	Jun	Mar	Jun
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144.90	+3.33	124 30			43.281				77	50	132
					-4,481			39	60	78	164
FFEE (IC	O) (US	conts	pound				OFFEE LIFFE	Mar	May	Mar	May
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- Yes		108	.07	_	109.42	1500		67	118	36	88
average .					102.57		1-winning		95	60	115
			_				OCOA LIFFE	Mor	May	Mar	May
ITE SUG	AR LI	TE (\$/	tonnel						47	е	14
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299 T	-0.6		299.4						22	41	39
298.4		299,4					RENT CRUO		_		
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295.7	-0.1	295.8		20						. 54	
297.8	+20	298.0	297 0	10	628				14	•	26
298 6	+05	300 0	300 O	10	410		Permane ham-		14	•	26
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3AR 111	CSCE	(112,0	oobs;	cents	(edi)	LO	NDON S	<b>POT</b>	MΑ	HK	EIS
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10.38	-003	10 43	10.36	4,987	37,659					-	
10.31	_	10.34			27,923	Dubal			.53-0.5		0.275
	-0.03				18,454		Blend (dated)		2.85-2.		0.430
	-0.01	10 42			6.420		Blend (Mar)		2.55-2.		0.370
	-0.01	10 46			1.088	W.T.J.			22-4.2		0.310
					155,297	= OI	L PRODUCTS	MINE PRO	mpt dath	NOTY CAF	(journe)
TON NOT	YCE (50	0.000kb	s; cent	<b>5/10</b> 5/		Promi	lum Gasaline		227-22	9	-2
	+0.05	75.32			20.881	Gez (			205-20		-š
	-0 12	76 60			16,781		Fuel Oil		\$95-97		-2
	-0.12	77 50			B.650	Nophi			227-22		-0.5
	+0.05	77.50	77.15	60		Jet tu			229-23		-7
	+0.10	77 45			12.490	Diese			218-22		-3
77 45	+0.10	11 42	77.00	140	12,430					_	-0

philip	<b>\$227-229</b>	-0.5
t tuoi	\$229-231	-7
esel	\$218-220	-3
NATURAL GAS Perc	s/therm)	_
icton (Mar)	13.50-14.00	-0.25
OTHER	6 259 נולנסן מי	792
old (per troy oz)주	\$346.20	+2.05
ver iper troy oz)*	490.50c	+2.00
alinum (per troy oz.)	\$349.50	-1.75
Madium (per troy oz.)	\$124.25	+0.60
SOORY	114.0c	

Bad (US prod.) In (Kuela Lumpur) In (Now York)	45.00c 14.23r 269.50	-0.03
atzie (live weight) heep (live weight) igs (live weight)†	103.51p 142.81p 69.97p	+3.14° -1.46° -4.05°
on. day sugar (mw) on. day sugar (wto) arley (Eng. feed)	\$257.80 \$304.00 Ung	-0.70 +0.10
laize (US No3 Yellow) Theat (US Dark North) Libber (Feb) (F	Unq Unq 77.75p	
ubber (Mar)¶ ubber (KL RSS No1) occout OB (Phil)§	77.75p 299,0x 790.0y	-1.0 +10.0
alm Oil (Malay.)§ opra (Phil)§ oyabeans (US)	582.5y \$500.0y 209.0x	+30.0
otton Outlook'A' Index loottops (64s Super)	80.50 407p	+0.15

# CROSSWORD



1 Two loves left to spoon hy auch light (6) 1 Fellow has most of concise book sections (8) auch light (6)

4 Transmits trick devices (8)

book sections (8)

Bird, name unknown, with 9 Quick! Evict one that's

abundant head covering (8) 3 Eastern worker is after for-10 Sort out whet one wants, that is to say gets one's eign money (6) 5 At one time it was above own back (8)

12 Instructors in casual foot
6 Eve's reversed call, cutting

13 A right place to stop (6) 7 15 Stock contest (4) 8 16 Levelling off at the end of the day (7)
20 Game made to preserve
Anglo-Saxon cheers (7)
21 Two loves smuggled into
Minnesota by such light (4)
25 Take kilns to produce
cooked meats (6)
26 Built up line st the fortification (8)

Spain, there's time for a nap (6)
11 Flying bomb in a test of little consequence (7)
14 Here's one! Not her but someone else (7)
17 Passed spoken exam pertaining to country life (8)
18 Filth found in the southeast (8)

29 What comes before enterprise short of practice (6)
30 Fashion bas the laity husband (6)

colours etc (8) 31 Old port's centre is torn 27 Bounce babies back (4)

out; that's sad (6)

off in the process (8)
7 And in German is a look (6) 8 As it's peculiarly about Spain, there's time for a

cation (8)
28 Arbitrate on fashion's progress (8)
29 Change tune? Let's change it again (8)

changing the scheme of 24 Rising element in board game left snake behind (6)

Solution to Saturday's prize puzzle on Saturday Pebruary Solution to yesterday's prize puzzle on Monday February

#### COMMODITIES PRICES

Close Previous

BASE METALS LONDON METAL EXCHANGE ALLIMINIUM, 98.7 PURITY & per tonne Cosh

LIGALOUS	CAL - MAIN	ILLE O
High/low	1608	1836/1627
AM Official	1604-05	1626-27
Kerb clase		1626-27
Open int.	246,823	
Total daily turnover	59.617	
M ALUMINIUM AL	LOY (\$ per to	rine)
Close	1515-20	1538-40
Previous	1505-15	1525-8
High/low		1540/1535
AM Official	1510-20	1535-40
Kerb close		1535-40
Open int.	5,200	
Total daily turnover	2,985	
LEAD (\$ per ton	ne}	
Close	664-65	675-76
Previous	659-61	670-2
High/low		677/673
AM Official	662-63	574-75
Kerb close		675-76
Open int.	36,600	
Total daily turnover	8,008	
M NICKEL (S per I		
Close	7615-25	7710-20
Previous	7480-90	7580-85
High/low		7750/7600
AM Official	7525-30	7625-30
kerb close		7665-70
Open int.	48,964	
Total daily turnover	21,841	
M TIN (S per tonne	t .	
Close	5805-15	5865-70
Previous	5805-15	5865-70
High/low	5815/5805	5880/5855
AM Official	5810-15	5860-65
Kerty close		5850-60
Open int.	15.612	
Total daily turnover	4,113	

ZINC. special high grade (5 per tonne) 1153-5-54.5 1173-74 AM Official 1149-50 1169-69.5

E COPPER, grade A (S per tonne) 2382-87 2190-92 2415/2398 2393-98 High/low AM Official 150,402

IL LIME AM Official E/S rate: 1.6150 LME Closing E/S rate: 1.6125 Spot: 1 6133 3 miles: 1,6104 6 miles: 1,6068 9 miles: 1,6036

III HIGH GRADE COPPER (COMEX) 102.45 -1.30 104.00 101.70 8,427 21,920 101.15 -0.80 101.10 101.10 104 1,289 101.15 -0.80 101.10 101.10 104 1.289 99.80 -0.70 100.80 99.20 994 6.921 99.35 -0.60 100.00 99.10 20 780 98.40 -0.60 99.30 88.80 627 4.578

PRECIOUS METALS (Prices supplied by N M Rothschild)

Gold(Trey ez) \$ price £ equiv SFr equiv Close 346.00-346.40 Opening 344.90-345.10 343.75 214.736 489.775 x 344.30 213.559 490.628 346.30-346.70 Day's High Day's Low 343.50-343.90 Loco Ldn Mean Gold Lending Rates (Vs US\$)

2 months ......

\_\_3.42 8 months \_\_\_\_\_3.83 \_\_3.56 12 months \_\_\_\_\_3.89 487.90 493.65 499.55 511.65 321.60 1 year **Gold Colos** S price £ equiv.

Precious Metals continued GRAINS AND OIL SEEDS ■ GOLD COMEX (100 Troy ez.; \$/troy ez.)

347.4 +2.5 347.7 344.3 2,990 7,440 348.5 +2.5 348.8 345.6 32,926 97,865 350.7 +2.5 351.0 348.0 3,304 23,415 353.1 +2.5 353.5 351.1 1,597 8,508 355.3 +2.8 353.3 353.3 763 3,578 44,884 195,884 Total 3,288 27,199 Doc PALLADIUM NYMEX (100 Troy oz.: Stroy oz.) Ital Total

SILVER COMEX (5,000 Tray az.; Cents/tray az.)

## CRUDE OIL NYMEX (1.000 barrels, S/barrel)

Latest Day's
price change High
Leve Vol int

Apr 24.20 +0.05 24.32 23.98 51,647 78,154
Apr 23.77 +0.06 23.87 23.54 21,063 39,963
May 23.33 +0.14 23.36 23.06 5,872 23,718
May 23.34 +0.14 23.36 23.06 5,872 23,718
May 23.35 +0.14 23.36 23.06 5,872 23,718
May 23.37 +0.06 23.87 23,718
May 23.37 +0.06 23.87 23,718
May 23.37 +0.06 23.87 23,718
May 23.37 +0.07 23.00 23

May 21.71 +009 21.76 21.55 831 17.414

July 21.03 +0.11 21.35 21.15 1.409 17.310

July 21.03 +0.16 21.03 20.80 255 12.104

July 21.03 +0.16 20.73 20.55 507 3.167

July 20.71 +0.18 20.73 20.55 507 3.167

Total 24.533 153,818

July 20.75 -1.0 2307 227.5 4.249 23.616

July 20.76 -1.1 228.7 25.0 28.08 19.004

July 20.75 -1.6 225.2 27.40 363 3.628

Sup 21.0 -15 220.5 220.0 144 2.720

July 20.75 -1.5 225.5 220.0 144 2.720

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IN UNLEADED GASOLINE NYMEX (42,000 US galls , c/US galls) 67.50 - 69.90 67.50 10,888 5,993 68.35 +0.09 68.90 67.75 18,504 31,121 69.90 +0.14 70.25 69.15 3,494 12.139 69.80 +0.49 70.00 69.00 1,996 8,771 68.40 +0.39 68.55 67.80 821 5.928 66.70 +0.48 66.70 66.00 480 3.025

■ WHEAT LIFFE (€ per tonne)

93.95 -0.30 94.75 93.75 96.20 -0.30 97.00 96.00 99.20 -0.15 98.85 98.00 92.25 - 9-5 94.25 - 94.50 94.25 96.23 - 96.75 22 542 - 17 47 1,229 30 135 360 6,489 ■ PLATINUM NYMEX (SO Troy oz.; \$/roy oz.) ■ WHEAT CET (5,000bu min; cents/60to bushel) ■ COCOA CSCE (10 tonnes; \$/tonnes) 355.4 +2.9 355.7 352.5 3.206 20.433 May 361.50 +1.75 363.00 357.00 17.523 26,476 357.6 +2.9 358.0 358.0 61 3.411 May 350.25 +1.75 352.00 345.50 2.858 10.935 359.9 +2.9 360.5 357.5 18 2.274 July 350.25 +0.75 340.00 335.00 6.478 24,635 362.3 +2.8 360.0 380.0 3 1.081 Sep 341.00 +0.25 342.50 338.50 287 1,883 May May Jel Sep 349.50 +0.50 352.00 347.00 159 1,583 Dec 349.50 -0.50 341.00 340.00 44 145 Mar 27,369 66,485 Total 128.60 +1.85 128.80 126.50 804 6.408 78 1,929 MAIZE C8T (5,000 bu min; cents/56/b bushel) ■ COCOA (ICCO) (SDR's/tonne)

Mar May Jul Sep Dec Mar Total 23.77 +0.06 23.67 23.54 21.069 39.963 Nov 679.75 -1.75 681.00 675.00 2.630 16.963 73.34 40.14 23.36 23.06 5.872 23.718 Total 22.65 -0.11 22.93 22.65 3.465 32.516 22.49 +0.12 22.55 22.31 1,523 15,707

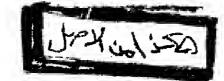
## COL | 11 | 20.73 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 20.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 50.50 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507 | 507

Tea
There was good demand this week reports the Tea Bryke's Association. Landed most East and Central African teas sold well with prices fully firm to often dearer. Ceylons sold readily at around last levels. Offshore good competition at firm rates. Ouctations, this sale landed best available: 143p/kg, good: 122p/kg, good medium: 115p/kg, norm the highest price realised this week was 143p/kg, for a ceylon bopt.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Grude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100) E CRB Futures (Base: 1967 = 100) Jan 31 Jan 30 month ago year ago 238.99 240.57 ■ GSCI Spot (Base, 1970 = 100)



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Section 2.

TVERDAY PEBRUARY

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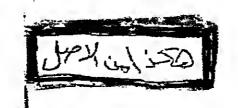
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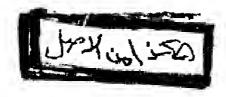
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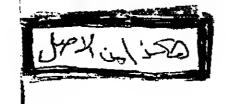


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D1624 071571 Royard Stounding Life Asparatures Link (2) (120) Seponda (Inc., Pack Rt., Dougles, Ioan Constant Berling Ind., C. 1: 585 1, 700 + 10.000 C Belancord Berling Ind., C. 1: 585 1, 700 + 10.000 C Belancord Berling Ind., C. 1: 700 1, 500 + 10.001 C Belancord Berling Ind., C. 1: 700 1, 500 + 10.001 C Belancord Berling Ind., C. 1: 700 1, 570 + 10.001 C Belancord Berling Ind., C. 1: 740 1, 577 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 577 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 577 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 577 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 574 + 10.001 C Belancord Friend Ind., C. 1: 740 1, 7 Call 0181 710 2185 for your free ticket, or bring this ad with you to the show 3 Balgocad RATESCO. 3 Aggrowthe Prognatal. 3 Deposit 5 Balleting Society 5 Castinus Bering Mgd. 8 Balgocad Deving Most. 5 Aggrossine Berling Mgd. 6 Endoss Gettings Reful. 6 Endoss Gettings Right. 8 Balanced Gettings. 8 Balanced Right. 8 Balanced RATESCO. 9 Aggrowths Perputati. 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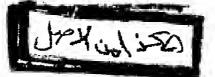
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MARKET REPORT By Steve Thompson, **UK Stock Market Editor** 

A wholly predictable element of caution crept into London's equity market yesterday, taking the leading indices off their recently-attained peaks.

With monetary policy making meetings scheduled in Washington (today), London (tomorrow) and Frankfurt (Thursday), dealers were not prepared to risk being caught either too long or too short of stock in the event of shifts in interest rates.

The day's UK economic news. provisional M0 money supply

lems for the market. Nor did the bulk of the ecoincluded personal income and ance, seeking a licence to provide ber, construction spending for vice in the UK. that month and the National agement index for January.

index showed an 18.0 loss at 2,308.2, up 2.6. 4,257.8, well above the day's low-PMI and M0 news.

details and the Purchasing Man- firing line with the FTSE 250 prising that we lost ground." ket was affected by the impendagers' index for January, came in index closing 20.5 off at 4.574.9. slightly higher than consensus The index suffered from another forecasts but caused no real prob-sell-off in the cable and television companies which are not involved in the newly-formed nomic data from the US, which British Digital Broadcasting alliconsumption figures for Decem- a digital terrestrial television ser-

It was not all gloom, however, Association of Purchasing Man- with the SmallCap index rushing up again and recording a new By the close, the FTSE 100 intra-day and closing high of

The head trader at one of the est point, 4,252.8. Which was hig European banks said: "It was recorded shortly after the UK a quiet Monday at the start of a of manufacturers, were other fachig week for stats and interest Second liners were also in the rate meetings; it's hardly sur-

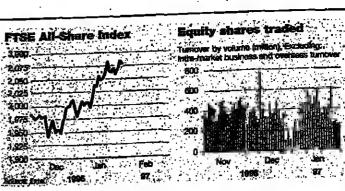
There was comfort for equities ing Federal Open Market Comin the good showing by gilts. But some dealers, pointing to the latest strong performance by sterling against the dollar and the D-Mark, said currency pressures could begin to exert further pressure on equities, especially the

and oil stocks. The growing speculation about the timing of the general election, plus the controversy over a single European currency, which has been seen hy some observers as possibly triggering an exodus tors unsettling London stocks. Sentiment in the US stock mar-

mittee meeting. The Dow Jones Industrial Average began the day under pressure, retreating almost 40 points. Turnover in UK shares gave

further cause for concern, with customer business last Friday big exporters such as the drug coming out at £906.9m, the seventh consecutive session in which retail activity has fallen below the 21bn mark.

> Marketmakers attributed the extended slump in turnover to the proximity of tha election and to fears that a shift in US interest rate policy could trigger a steep correction on Wall Street and



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Oil Exploration & Retailers: General Extractive industries

TRADING VOLUME

Vol. Closing Day's 000s price change

#### Dixons unattractive. in the And, yesterday, the mar-

By Joel Kibazo and Peter John

dock

There appeared to be no end to the pain for electrical retailer Dixons, as the market registered its disapproval of last Friday's sale of stock by the company's chairman.

Sir Stanley Kalms' sale of 1.1m shares was made just days after be attacked Mr Tony Cooper, analyst at right price". Greig Middleton, for advising clients to sell the stock.

Yesterday it was the turn of some of the heavyweight brokers to advise clients to reduce holdings and market specialists indicated that some of the big institutional holders of the stock needed little persuading. Merrill Lynch, said to be among a long list of negative brokers, downgraded its recommendation from "hold" to "reduce"

The shares retreated 38, or 7.4 per cent, to 479p, the worst performer in the FTSE 100 by a long way. Turnover soared to a befty 10m.

Worries about the threat from the new digital television triumvirate - BSkyB. Carlton Communications and Granada - sent regional television stocks scuttling

The prospect of soch a

ket took a harsh look at the prospects for local television as well as the attractiveness of remaining independents as takeover candidates. Yorkshire-Tyne Tees Television slipped 80 to 1,1021/2p with the tightly-traded stock also under pressure from a couple of agency crosses which went through the market at 1,110p a share. The fading of bid possibility was particularly clear as Granada has 27 per cent of Yorkshire and bas said it may make a full bid "at the

Scottish, which slid 811/2 to 546p. was the most badly affected regional. And United News & Media, which lia stations following the merger with MAL slipped 31½ to 671p.

On the plus side, BSkyB was up 10 at 609p, Carlton 16% to 575p and Granada 20 higher at 917p. Analysts believe the move is particularly heneficial to BSkvB. and increases the perception that the satellite broadcaster will control the future of television in Europe. Meanwhile, Flextech, which makes programmes for the BBC, moved up 16 to 715p.

In a sector looking as though it had eaten too much jelly at the party, Clyde Petroleum stood out against a rash of profittaking in oils stocks. The company is the sub-

heavyweight grouping has ject of what many shareholdalready sent shudders ers consider to be a nigthrough the cable compar gardly bid from Gulf Feb 3 Data based on Equity shares listed on the London Share Sen

nies, whose broadcast prod. Canada. Gulf has always Turkmenistan, from where ucts may quickly become maintained that its 105p-a-UK exploration and production group hut very few shareholders agree. Today is the last day for Gulf to raise

its offer and it is widely

expected to do so. The only question mark is the level. Some estimates are as low as 115p but the consensus starts at 120p a share and there is the chance that rivals might be prepared to pay another 15p on top of that. Consequently, Clyde shares rose 2 to 117%p.

Elsewhere British-Borneo, which rose 20 per cent last week, slipped 2712 to 1,3371/p.

Among smaller stocks. Dragon Oil saw turnover of 44m shares and remained firm at 2p, having jumped hy owns the Meridian and Ang- a third late last week. The market acknowledged that the company is active in

Ord. drv. yield

Monument Oil & Gas has share offer fairly values the issued some confident reports.

A flow of news boosted leisure giant Ladbroke Gronp. The shares firmed 31/2 to 232½p, after the company said it had settled its dispute with J. Sainshury over the former'a sale of the Texas Homecare business to the food retailer.

The companies agreed that Ladbroke should pay £9.3m to Sainsbury, representing an adjustment of the price paid to £280.7m from the original £290m. One analyst said: "This is good news. Many expected Ladhroke would have to pay much more." Ladbroke also announced the purchase of AR Dennis, an independent

The market dismissed weekend press reports suggesting Ladhroke is lining

hookmaker, for £31.3m.

Feb 3	Jan 31	Jon 30	Jan 29	Jan 28	Yr ago	*High	Low	to 1,690p. C Laing took t buy list on t
2837.5	2847.1	2830.6	2844.7	2844.7	2758.6	2685.2	2669.0	had achieve
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ation han	2685.2 19	VD496: 10	49.4 26/	06/40. Bat	so Date: 1/	7/35		out with a ri

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52 Week highs and lows LIFFE Equity options Total Falls Total con

up a bid for London Clubs. Shares in London Clubs hardened 21/2 to 3791/p, while

penny to 323½p.
National Westminster sbares perked up 2 to 773%p licences. as ABN Amro Hoare Govett advised clients to switch into the stock from Barclays.

NatWest shares have been relatively ignored in the run-up the the hank sector's results season begins on February 14 with Lloyds TSB. Both NatWest and Barclays have big cash piles and are forecast to announce some form of return of value to shareholders of up to £500m. However a number of brokers still like Barclays and the shares closed 4 higher at

Schroders, the merchant hank which has risen get of £16 per share. strongly over the past couple of weeks as old takeover talk has resurfaced, fell back 24 redit Lyonnais he stock off its the basis that it d the broker's arget price. ectricity stood

ith a rise of 71/4 to 704p after the government cleared the £1.2bn bid by Entergy for the regional electricity com-Food manufacturing giant Unilever shed 16% to 1,379%p

with analysts at Lehman Brothers reported to have downgraded current year profit expectations. Among conglomerates Tomkins was said to have benefited from a NatWest

Securities recommendation. The shares resisted the poor market trend to end the day ahead at 285%p. Merrill Lynch was said to be degative on several of the leading retailing stocks. The list of those under pressure included Marks and Spencer.

51/4 lighter at 490p, and King-

FTSE Actuaries Share Indices

fisher, down 14 at 662%p. Competition fears kept

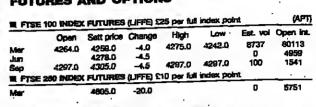
cable stocks under a cloud following last week's news that a consortium of leading those in Sainsbury firmed a British companies has applied to operate three digital terrestrial television

> Nynex Cablecomms surrendered another 21/2 to 97p, while General Cable lost 8 to 168p. Telewest fell 7 to 110p.

> AIM stock Circle Communications dropped 82% to 1200 after the company said profits for the year ending in December would be be significantly below market expectations. Healthcare company Bio-

competibles International huilt on recent gains with a jump of 75 to 1,230p in further reaction to a Merrill Lynch buy note. Merrill has set an intermediate price tar-

**FUTURES AND OPTIONS** 



ME PTSE 100 INDEX OPTION (LIFFE) (\*4255 ) \$10 per full index point 

M SURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

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Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/de	Low/day
FTSE 100 FTSE 250 FTSE 350	4583.3	4258.7 4585.8	4254 0 4581.6	4258.4 4582.1	4282.4 4580.0	4281,3 4580.1	4258.1 4579.3	4258.0 4576.7	4255.1 4573.8	4272.5 4593.3 2113.9	4252.8 4573.5

Time of FTSE 100 Day's high. 8:33 AM Day's low. 9:56 AM. FTSE 100 1998/97 High: 4275.8 (31/01/97) Low: 3632.3 (24/12/95)

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14,00	15.00	16.19	Close	Previous	Change
Bidg & Chatron	1315.0	1315.0	1314.8	1314.2	1311.2	1310,S	1308.2	1308,4	1305.1	1304.9	1313.5	-8.6
Promaceuticis	6130.2	6111.0	6097.9	6098.1	6099.4	6095.3	6095.5	6100.3	6093.2	5007.3	6129.1	-31.8
Water	2507.8	2500.4	2498.8	2498.9	2498.3	2496.4	2495.9	2495.9	2495.1	2496.5	2513.1	-16.6
Banks, Potell	5644.8	5629.0	5629.S	5640.2	5641.8	5640.2	5634.0	5635.0	5632.0	5840.0	5653.3	-13.3

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anematorism in Conjunction with the Production of Accumulation of the Imparts of Accumulation of the Inches Stock Exchange and The Financial Times and are used by FTSE International under Recence. It Sector Pric radice greater than 80 and not covers greater than 80 are not shown. It Volkes are negative, OELETION: Buttle Minning (FTSE Fledgling): Occurron (FTSE Fledgling); Achbourne (36) & (FTSE SmallCep).



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Change on day -10 +2 -24 +30 +20

TUESTIAN FEBRUARY STOCK MARKETS EUROPE Colores
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High Lu Friday Succis Close Clubs in the price of th Micro) Jun 31 Jan 30 Jun 29 578,744 523,643 499,247 20,931 19,992 19,048 633,667 682,745 614,321 3,321 1,392 1116 813 202 27 w Est. 1 8,303 1,248 1,160 895 78 30 3,313 1,551 613 849 120 23 WOFILD MS Capital IntS(1/1/70) CRIOSS-BOPIDER Businata, 100(26/10/90) Bust Top-100(26/970) HSBC JC Dryn(3/1/286) MG Busys Busy(7/1/22) 208325 2055.31 2045.32 2080.25 37297 1745.95 1743.96 1728.74 1746.56 37297 60 419.10 418.57 429.46 207.97 60 176.23 188.44 178.97 207.87 1504.40 11/1/96 1333.81 11/1/96 344.19 2/1/95 147.36 2/1/96 Mer 787.40 788.50 -1.20 788.50 788.30
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#### NEW YORK STOCK EXCHANGE PRICES

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BE OUR GUEST.

CORINTHIA PALACE HOTEL When you stay with us in VALLETTA (Malta) stay in touch -with your complimentary copy of the



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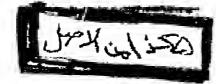
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<sup>1</sup>8 Matrie Ht Apopen En x0.36 21 587 38% 36% 36% 36% -1 Apopt Mart 1425519 49% 47% 40 -1% Apopta 30436 17 16% 16% 7% Signation 0.25 21 1429 32 4 61 31 5 72 Signation 48 919 10 9 9 5 0 5 12 Steentillo 16 1503 u37 35 2 36 4 2812646u56<sup>5</sup>8 52<sup>1</sup>4 58<sup>1</sup>8 -3<sup>1</sup>8 Expent | 0.06 26 1488 23 21 1 227 +114 McGrath R x 0.56 15 91/27<sup>3</sup>4 27 27 + 1<sub>8</sub> McCommNV 0.60 46 1590 25<sup>1</sup>8 24<sup>3</sup>4 24<sup>1</sup>8 + 1<sub>8</sub> 15 3385 20% 26 26 -% 18 26 87 67 83 Simpson 0.40 11 852 10% 1012 10% +14 2 41 1 <sup>7</sup><sub>8</sub> <sup>1</sup><sub>9</sub> 23 950 34<sup>3</sup><sub>8</sub> 33<sup>3</sup><sub>9</sub> 33<sup>5</sup><sub>8</sub> -1<sup>1</sup><sub>8</sub> MentrG 4357 10<sup>1</sup>2 18 10<sup>1</sup>5 -<sup>1</sup>4 MercantB 1.04 13 846 34 33<sup>1</sup>2 34 +<sup>1</sup>2 Argonaut x 1.48 65 30 29<sup>1</sup>4 29<sup>2</sup>1 - <sup>1</sup>2 ArtiStiDel 245 4<sup>1</sup>4 4<sup>1</sup>2 4<sup>1</sup>4 89 8 5% 5% -18 ArtifistDel 245 434 432 434 Article in B44 15 137 143 14 1458 +3 1.00 13 2768 t/38 37<sup>3</sup>4 37<sup>3</sup>8 -38 Farr Cp 13 350 194 184 19 +4 5 1899 1112 1058 1112 +78 0.02 43 2063 385, 3712 3734 Fastered 2373 246 133 2 508 412 64% 4% +h 7 1531 84 612 612 +16 54 B73 3812 3512 3512 -14 156 580 12% 12% 12<sup>1</sup>2 30736 7312 68% 7012 1.18 23 2067 774 764 787 -12 SI PauBex 0.48 14 75 24 24 24 38 714 314 304 304 -4 Mithode A 2020 21 1336 324 21 2 21 4 -12 Aspect Tail 3313109 205<sub>8</sub> 20 26 -1<sub>2</sub> 4 925 124 12 125 Michael Fx 0.20 17 124 1258 12 1218 +.11 Staples 3808 518 478 5 76 39 2942 194 184 184 +4 16 3759 1514 1414 1412 14 Aberson 20018 17 0% 9% 9% 124 15 4539 p637g 51 631g +11g First Am 81 2071 135 124 124 -12 2214138 46% 44% 44% -112 Smel Tec 0.10 10 430 113 10.90 111 +16 092 15 1249 344 3414 3412 +4 478 54 5 54 +4 1364 23 24 20 120 15 1651 will 4012 4119 +1 Most 5367864x808401011g1021g +1g 1.15 18 204 138 1 37 4 36 4 +1 2518115 33 1 32 1 2 33 2 +16 36 1389 12<sup>3</sup>4 12<sup>1</sup>8 12<sup>1</sup>8 -3 20 15<sup>1</sup>2 15 15<sup>1</sup>2 0.52 19 1116 56<sup>1</sup>4 57<sup>1</sup>2 56<sup>1</sup>4 Foor 17 68 958 918 618 12 1732 H 31 H 1108 3814 38 38 +114 Stryker x 0.18 26 2180 2914 2814 2918 +18 SullivanD 0.20 16 844 14 1314 1314 Foodla 0.11 23 7865 81 81 81 0.18 18 584 114 104 105 0.18 18 584 1144 1044 1078 2911 8 74 75 + 48 FoodLB 0.11 20 2551 674 812 874 +14 FORESy 30457 2676 25 2676 BEI B GOS 86 360 117 11 117 +1 PORESY Modern Co 0.24 15 5 104 104 104 Sandrand 0.50 11 16 u28<sup>1</sup>2 26 28 Baler Jr 606 21 337 67 65 64 4 Balend 8 040 12 53 174 174 174 10 418 44 4 4 Summit To Modine Mf 0.68 14 260 2832 2734 2832 2009 74 61 74 080 19 300 251 25 254 Moteun 0.08 23 1204 3512 3434 3518 -18 Son Sport 56 27 24 24 876 712 7 712 Fst Haves 1.24 12 1262 324 21 324 +11s Barciec 935 19<sup>3</sup>6 19<sup>3</sup>6 18<sup>3</sup>4 <sup>1</sup>8 Berkemich 0.64 14 2140 124<sup>3</sup>4 32<sup>3</sup>4 23<sup>3</sup>6 +1<sup>3</sup>6 Basknorth 1.18 12 45 40<sup>3</sup>4 40 40 -<sup>3</sup>4 236 74 74 77 16 Feller HB x 0.66 15 712 504 494 504 +4 24 285 261: 257: 261: +14 Material X 0.32 15 324 38 374 374 +18 Futurifie 0.68 15 402 td5 24 35 +3: Sybase lac 5322 191<sub>8</sub> 173<sub>8</sub> 175<sub>8</sub> +14 MTS Ses 0.40 15 78 2112 21 2112 16574 1750 15% 17% +1% 1576 2712 2414 2714 +114 Sympley 0.36 12 34 16<sup>1</sup>2 16<sup>1</sup>2 16<sup>1</sup>2 -1<sub>8</sub> Besit Pet 15 37 37 4 36 4 36 4 -1 Besit F 0.80 15 149 24 2 23 2 24 2 +1 7 95 13 4812 4814 4814 -14 SystemSoft 0.18 2539 10<sup>1</sup>8 18 19<sup>1</sup>8 + 18 Bay View 054 34 1268 5334 51 5334 +234 2 3,7 3,7 3,6 76 6 PI App System&co 26 251 19<sup>1</sup>2 19 19 -14 0.07 25 608 33 31 12 33 +1 - 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# Dow lower in spite of bond gains

US shares were mostly flat at midsession in spite of a third consecutive session of strong gains on the Treasury market, which hrought the yield on the benchmark 30year Treasury well below 6.8 per cent, writes Lisa Bransten in New York.

At 1 pm the Dow Jones Industrial Average was off 22.32 at 6,790.77 and the more broadly traded Standard & Poor's 500 lost 0.95 to 785.21. Meanwhile, technology stocks were mixed, with the Nasdaq composite gaining 0.73 at 1.380.58 and the Pacific Stock Exchange technology index, which includes hoth Nsdaq and NYSE shares, 0.3 per cent weaker. Volume on the New York Stock Exchange came to 262m sbares.

There was little to move the market yesterday. Few Wall Street economists expected the Federal Reserve to raise interest rates this week at the two-day meeting of its Open Market Committee that begins today, and earnings reporting season was largely over.

Of the few companies reporting yesterday, ITT Hartford Group was unchanged at \$73% despite fourth-quarter earnings which were ahead of outside estimates. Pacificare Health climbed \$1 at \$761/2 after putting out first-quarter earnings of 98 cents per share, 2 cents ahead of expectations. Among individual stories.

Valero Energy lost \$21/2 or 7 per cent at \$31% on news

#### natural gas husiness to Pacific Gas & Electric for ahout \$723m. Shares in PG & E edged up \$1% at \$22%.

Apple computer shares were unchanged at \$16% in spite of reports that the beleaguered computer maker planned to announce the sale of some husinesses in an attempt to reduce expenses.

Shares in America Online, the largest online service company in the US, were higher after an analyst at CS First Boston upgraded its rating on the company. AOL, which has had trouble providing Internet access to its 8m members amid a surge in use, saw its shares gain \$21/2 or 7 per cent to \$39%.

New York Bagel Enterprises slid \$2% or 32 per cent to 44% after announcing that it expected its fourth-quarter earnings to be well below analysts' expectations due in part to higher labour costs.

TORONTO moved forward on the back of good gains for utilities and a surge for BCE. the telecommunications giant. At noon, the 300 composite index was up 25.72 at

Half the 14 sector subgroups were showing gains with utilities, up 1.3 per cent, staging the stronges performance. BCE was C\$1.60 higher at C\$69.45.

Northern Telecom eased 20 cents to C\$99.30 and Canadian Pacific came off 5 cents to C\$36,35. Royal Bank of Canada gained 45 cents to C\$50,25. Barrick Gold

CARACAS also lost

ground, reversing a recent

dealers described as "very

thin trading conditions". At

midsession the IBC index

#### Sao Paulo up 1.5%

SAO PAULO continued to move ahead on the government's long-planned reform run of daily gains in what programme. At midsession. the Bovespa index was up 1,222 or 1.5 per cent at 80,869, having surged by 2.3 per cent on Friday. Trading was described by brokers as

MEXICO CITY tracked Wall Street in light trading and, at midsession, the IPC index was off 25.12 at

r	was 44.24 lower at 6.
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ed lively trade. At midsession, the Merval index was within a whisker of 700, having added 6.06 to 698.57. **MARKETS IN PERSPECTIVE** 

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	1 Work	4 Wooks	1 Year	Start of 1996	Start of 1998	Start of 1996
Austria	-0.56	+2.36	+7.42	+20.02	+1.60	+4.88
Belgium	-0.08	+8.34	+19.33	+27.20	+7.48	+53.97
Denmark	+2.76	+8.01	+30.25	+40.44	+20.74	+24.64
Finland	+1.48	+12.01	+53.33	+56.86	+35.15	+39.50
France	+3.10	+9.46	+28.64	+37.38	+17.76	+21.54
Germany	+1.01	+6.16	+21.04	+31.65	+11.46	+15.06
Ireland	+2.97	+5.53	+25.01	+29.05	+24.07	+28.07
Italy	-0.09	+19.13	+22.61	+29.30		
Netherlands	+0.26	+5.88	+33.28	+38.91	+17,35	
Norway	+1.15	+7.33	+39.66	+40.80	+32.89	+37.17
Spain	+0.21	+4.76	+44.47	+49.32	+25.67	+30.75
Sweden	+1.06	+6.99	+45.76	+48.48	+32.71	+36.99
Switzerland	+3.72	+8.90	+29.55	+28.49	+0.65	+3.89
UK	+1.11	+4.17	+13.28	+15.42	+15.42	+19.14
EUROPE	+1.41	+6.75	+22.87	+27.80	+15.42	+19.14
Australia	80.0+	+1.19	+6.28	+9.36	+8.56	+12.07
Hong Kong	-0.99	-1.14	+11.61	+27.04	+22.81	+26.77
Japan	+1.70	-7.0 <del>6</del>	-14.48	-12.89	-28.30	-25.98
Malaysta	-0.72 .	+2.28	+18.98	+26.01	+24.72	+28.74
New Zealand	-0.47	+1.61	+10.94	+8.98	+11.17	+14.75
Singapore	+0.36	+3.96	-3.70	+5.69	+3.85	+7.20
Canada	+1.59	+3.19	+25.57	+32.69	+30.05	+34.24
USA	+1.90	+5.14	+23.51	+27.42	+23.44	+27.42
Mexico	-0.51	+8.47	+17.68	+29.98	+24.07	+28.07
South Africa	-0.04	+0.92	-4.78	+5.83	-18.15	-15.52
WORLD INDEX	+1.56	+3.13	+13.86	+17.92	+8-33	+11.82

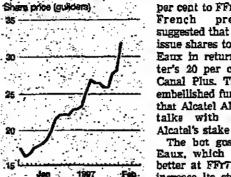
A confident view of semiconductor prospects in Davos yesterday from Mr Andy Grove, chief executive of the US major. Intel, found echoes both in Germany and in the Netherlands.

FRANKFURT saw Siemens lead the active charts for the second day running, turning over DM1.46bn by itself as the shares rose DM3.47 to DM83.40. up 16.7 per cent since January 2 Mr Michael Geiger at CS

First Boston said that, in addition to the semis story, there was talk that Siemens would explore links in power generation with Westinghouse of the US and, possibly, with a potential French partner: that Siemens had said recently that it would sell some of its non-core businesses; and that while the stock was late cycle, and in reality a 1998 prospect, it had heen depressed by the interruption in its growth rate forecast for 1996-97.

The Dax index rose 27.00 to an all-time high of 3,064.70, turnover easing from DM13.5bn to DM13.bn. A 70 per cent jump in profits at Metallgesellschaft, almost bankrupt in 1994, took MG up another DM1.36 or 4.1 per cent to DM34.35 while Deutsche Babcock, another lowbottom recovery prospect in

#### CSP, where takeover talk led to active trading. Havas rose FFr18.50 or 4.6



inspired to a gain of DM4 at DM82.50, more than doubled in less than a month.

**ASM International** 

AMSTERDAM reported clear demand for Philips which jumped F11.40 or 1.9 per cent to Fl 75.40 on buying said to be largely USinspired. Improved high-tech sentiment stemming from the upheat Intel remarks washed over on to a number of smaller stocks. ASM Inter national, for example, surged Fl 3.40 to Fl 31.60.

worries. KLM dipped 50 FFr118.6. cents to Fl 39.80 ahead of today's third-quarter results. The AEX index ended the day down 0.91 at 674.77.

PARIS traded lower in spite of strong performances SMI index further into the engineering field, was at Havas and Thompson-record territory, up 10.6 to Friday on preliminary 1996 the Wig index up 405.4 or 2.5

per cent to FFr424 after a press report issue shares to Géoérale des Alcatel's stake in Havas.

30 per cent.

At the close, the CAC 40

ZURICH recovered from an early pullback as the dollar'a strength, lively foreign demand and the prospect of stable interest rates took the

suggested that Havas was to Eaux in return for the latter's 20 per cent stake in Canal Plus. The story was embellished further hy news that Alcatel Alsthom was in talks with Eaux about

The bot gossip was that Eaux, which closed FFr11 better at FF1719, wanted to increase Its stake in Havas from a present 2.5 to around

Alcatel ended off FFr6 at FFr542. Dealers said this partly reflected Alcatel's confirmation that it was in talks with Aerospatiale and Dassault about a possible joint hid for the state's 58 per cent stake in Thomaon-CSF. CSF jumped FFr4.60 to FFr169.

index was down 8.01 at 2,508.55. A steep decline in new car sales in France last month pushed Peugeot down Hoogovens came off 60 FFr14 to FFr579 and left Ren-cents to F1 75.10 on strike ault 50 centimes off at

Davos semis update lifts Siemens, ASM

FTSE Actuaries Share Indices Hourly changes Open 10.30 11.00 12.00 13.00 14.00 15.00 Close FTSE Eurotrack 100 2054-38 2054-55 2055-36 2058-80 2060-05 2061-90 2061-76 2063-25 FTSE Eurotrack 200 2068-88 2087-94 2058-51 2094-91 2067-63 2059-38 2066-27 2098-06

Jan 30 Jan 29 Jan 28 Jan 27 2045.32 2033.21 2060.41 2068.75 2042.48 2037.64 2078.89 2070.13 2055.31 2069.49 FTSE Burgerack 200 State value 1000 (28/10/00); Highester 100 - 2052.25, 200 - 2101.60 Lawring 100 - 2053.64 200 - 2067.24 1 Partial. © FTSE International Limited 1937, All digits reparted

Switzerland to an overweight position in the Europe portfolio, on the positive effect on earnings of a weaker Swiss franc.

Roche, sharply higher last week, ran into profit taking loog-term R&D programme to analysts. The certificates lost SFr255 to SFr12,240, while its rival. Novartis picked up SFr21 to SFr1,650. Financials saw renewed demand after their recent underperformance. Swiss Re jumped SFr31 to SFr1,433, UBS firmed SFr12 to SFr1,193 and SBC added SFr4

MILAN was weighed down by the debate over whether the lira would make the first wave of currencies admitted to Emu. The Comit index finished 1.68 higher at 771.01 while the real-time Mihtel index fell 132 to 12,289, after 12,368

Flat, under pressure on

4,282.8. Mr Mike Young at results, rebounded L114 to Goldman Sachs upgraded L5,256 on hopes for a pay agreement soon between engineering and metalworker unions and the government. HSBC James Capel, which downgraded the Fiat stock, said that while the company was

expected to achieve good volume growth, the restoration of operating margins to acceptable levels was likely to take longer than expected. Olivetti bounced L25.6 to L648.3 while Credito Italiano was L70 higher at L2,269 after better than expected preliminary 1996 results.

STOCKHOLM was scuttled by the failure of the S-E-Banken/Nordbanken merger discussions, which left the banking sector down 2.2 per cent as the individual stocks fell SKr5 to SKr67.50, and by SKr7.50 to SKr227.50 respectively. The Affärsvärlden General index closed 4.2 lower at 2.567.8.

WARSAW rebounded after four sessions of falls taking

per cent to 16,510.9. Bank Ochrony Srodowiska made its debut at 48 zlotys, a sharp premlum to the 29 zlotys issue price, and higher than most analysts' expectations of about 40 zlotys.

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ATHENS lost 1.6 per cent on profit-taking although construction and lassing shares bucked the trend. The general index lost 18.13 to 1,148.06. Recently underperforming constructions climbed 6.2 per cent while leasing shares rose 5.6 per cent on valuation, and dividend yield, grounds.

TEL AVIV added to Sunday's 2.7 per cent rise as the Mishtamin index gained 7.10 to 256.04, just shy of its all-time high of 258.44 set on January 16, 1994. One analyst said that the market was now being driven by its own momentum. BUDAPEST extended

recent gains, taking the Bux index up 103.97 to close at a record 5,672.80 as foreign investors, recently heavy sellers, returned as buyers.

ISTANBUL saw further consolidation, as the IMKB National 100 index lost 30 at 1,575, down 7.4 per cent since its all time peak on Monday of last week which followed a 74.2 per cent surge since the start of the year.

Written and edited by William Cochrane, Michael Morgan and

# Bangkok drops further 3.6% on currency worries

#### ASIA PACIFIC

Currency worries, which sparked sustained foreign selling in a thin market, left BANGKOR at its lowest level since September 1992. The SET index added to Friday's 4 per cent tumble with another of 26.41 or 3.6 per cent to 761.63. At Bt2.06bn, turnover was described as

The energy and finance sectors both lost more than 6 per cent.

Analysts noted that the Thai baht had been losing ground in the foreign exchanges since last week's news of a balance of paymade a ments deficit for December. the day, Italian-Thai fell Bt13 to Bt118 and Siam Cement was off Bt60 to Bt740.

TOKYO began the week a little more calmly after last week's rollercoaster ride, giving up half of the gains made last Friday when the market jumped hy 2 per cent, writes Jonathan

The Nikkei 225 average fell est lost Y150 to Y6,360. 244,06 to 18,085.95 after mov ing between its opening high of 18,307.95 and 18,077.06. The downward pressure came ing, triggered by falling stock futures, combined with profit-taking in the blue chips that had led the mar-

ket higher last week. Domestic institutions were

Industrials shares in Johannesburg continued to

move ahead strongly,

boosted by a better day for

the rand and tentative talk

of a reduction for interest

The industrial index rose

58.6 to 8.061.9 for a two-day advance of almost 100

Jo'burg industrials ahead

on March 31. However, for Heavy Industries shed Y24 to were generally muted as the currency markets offered few leads in the run-up to G7 finance ministers and central bank governors in Berlin. Some investors were also waiting for the outcome of a land auction in central Tokyo, regarded as a key

indicator of the direction of

property values. Volume dropped sharply from 407m on Friday to an estimated 309m. Declines led advances by 556 to 499 with 169 unchanged. The Topix index of all first section stocks eased 4.74 to 1,367.74 and the capital-weighted Nikkei 300 inched down 1.08 to 259.88.

In London, the ISE/Nikke 50 index rose 5.91 to 1,365.61. Profit-taking centred on electronics manufacturers and shiphuilders. Sony fell Y150 to Y8,030, TDK Y200 to Y7,560, and NEC Y30 to Y1,390. Tokyo Electron slid Y200 to Y4,170 and Advant-

Canon said it expected a 5 per cent increase in unconsolidated pre-tax profits for the Y2,610, but it cooled off in line with other hlue chips to finish Y30 lower at Y2,450.

Ishikawajima-Harima Heavy Industries dropped Y32 to Y445 and Kawasaki sellers, trying to lock in prof-its before the fiscal year-end Y458, while Mitsubishi

recovery for the rand. The all-share index gained 37.5

to 6,713.6 in spite of further

Golds remained the odd

man ont with continued

weakness for the bullion

price weighing heavily or

The golds index retreated

losses for golds.

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292.15 268.28 224.82 248.00 245.64 293.36 233.09 236.81 297.57 218.16 192.82 202.48 215.13 242.22 201.66 201.80 366.55 338.81 282.07 312.41 340.41 375.85 272.59 272.59 133.54 122.63 102.76 113.81 102.11 177.01 133.54 165.37 176.88 162.43 136.11 150.75 144.79 191.51 176.40 180.44 312.00 286.52 240.10 265.92 310.99 313.26 248.65 252.78 212.87 195.48 163.81 181.43 181.51 215.56 181.60 182.60 312.36 266.85 240.37 266.23 271.91 320.45 268.97 266.81 180.33 165.60 138.77 153.69 180.63 147 177.71 182.28 219.98 202.01 169.28 187.49 183.90 224.89 199.58 203.63

224.59 206.24 172.83 191.42 199.15 228.97 202.32 205.87

Toyota warned that all domestic vehicle production might have to be auspended next weekend's meeting of for today because of a fire at one of its parts suppliers. It ended down Y80 at Y3,100. The supplier, Aisin Seiki, plunged Y120 to Y1,650. In contrast, another car parts maker, Denso, firmed Y20 to Y2,500 after announcing that it was prepared to supply

brake parts in Aisin's place. The most actively-traded stock, Takeda Chemical Industries, fell Y30 to Y2,360, more than wiping out its gains on Friday on the news that it was seeking a New York Stock Exchange listing in 1999,

#### in Osaka, the OSE average fell 90.65 to 19.101.92 in volume of 49.2m shares.

MANULA hit an all-time high for the third straight session with the composite index up 25.69 to 3.447.60. The market opened lower hut quickly pulled out of the downturn as activity built up to another session of

underpin sentiment. The All Ordinaries index added 3.2 to

2,426,9,

18 cents to A\$7.68 and ANZ 129.28 to 13,451.07, led by a 12 cents to A\$8.16. recover, gaining 10 cents

to A\$6.74 ahead of Thurs-

beavy volume, Turnover was 4.3bn pesos SYDNEY closed slightly higher, buoyed by strong gains among bank shares where bopes for a cut in interest rates cootinued to

Commonwealth Bank rose 20 cents to A\$12.95. Westpac News Corp continued to

day's results statement. BOMBAY was under pressure from a spate of speculative sell orders, in further response to the absence of positive news after the gov-ernment last week failed to announce promised market

policy initiatives. The BSE-30 index fell 58.25 or 1.7 per cent to 3,324.22. HONG KONG's late rally was attributed to the outlook for steady interest rates and expectations of strong earnings reports due after the

surge in property stocks. Turnover, however, fell to

Among the properties, Great Eagle Holdings advanced HK\$1.40 to HK\$32.80 following news that it planned to spin off its Tai Shan Properties unit.

KARACHI, closed yesterday for the national and provincial elections, jumped 3.5 per cent on Sunday on hopes that the Pakistan Muslim League, led hy Mr Nawaz Sharif, would win the polls, forced by President Faroog Leghari's dismissal of Ms Benazir Bhutto's government on disputed corruption Chinese New Year holiday, charges, The KSE-100 index The Hang Seng index rose jumped 54.27 to 1,588.48.

# Leadership and innovation

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